



2020 One Report

One Team. All Heart.





Table of Contents

About the One Report	2
A Word from Gary	3
30,000-Foot View	3
2020 Awards	4
Our Approach	5
<hr/>	
People	14
Employees	15
Customers	21
Communities	23
People Data Table	27
<hr/>	
Performance	29
Economic Performance	30
Growing Our Robust Network	36
Performance Data Table	39
<hr/>	
Planet	40
Environmental Stewardship	41
Energy	43
Waste	47
Planet Data Table	49
<hr/>	
GRI Index	50
<hr/>	
SASB Index	62
<hr/>	
UN SDGs	63

2020 One Report

The importance of our citizenship commitment was underscored by the events of an incredibly challenging year. In 2020, we doubled down on commitments to our Employees, Customers, Shareholders, suppliers, and communities. Our citizenship efforts give us an opportunity to invest in the People and places our future depends on.

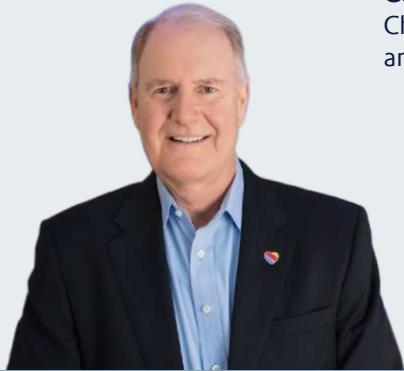
Our Triple Bottom Line

To illustrate our steadfast focus on a triple bottom line—our People, Performance, and Planet—we highlight our citizenship efforts each year in the Southwest One Report, an interactive electronic publication. The integrated One Report combines financial, corporate responsibility, and environmental reporting into a single comprehensive report.¹

A Word from Gary

"We are not simply a Company of planes—we are a Company of People. And it is the Heart of the People of Southwest Airlines that makes us who we are—yesterday, today, and forever."

Gary C. Kelly
Chairman of the Board
and Chief Executive Officer



30,000-Foot View

People are, and always have been, the Heartbeat of Southwest Airlines, and we work to advance and protect the things that are important in their lives. In 2020, the global COVID-19 pandemic, resulting economic impacts, and widespread social unrest that occurred deeply affected the lives of many, and we sought to do right by our Employees, Customers, and communities in the face of these difficult circumstances. On the following pages, you can read more about our citizenship activities during 2020, and see how we sought to align our efforts with our Heart for People. Welcome to this year's One Report.



Ranked 11th

(in 2020)

FORTUNE World's Most
Admired Companies®

FORTUNE magazine

FORTUNE
WORLD'S MOST
ADMIRE COMPANY
2020

Recognized as a
**Top 50
Employer**

*Equal Opportunity
Magazine*



 Designated a
**Best for Vets:
Employer**

Military Times

Won Four

Best Airline North America

Best Airline United States

Best Economy North America

**Best Low Cost Airline
North America**

*2020 Tripadvisor Travelers'
Choice™ Awards for Airlines*

Won

Best Customer Service

Program of the Year
(Rapid Rewards® Program)

Best Loyalty Credit Card

Best Airline Redemption Ability

Freddie Awards



Received a

100

**on the Corporate
Equality Index
in 2020**

*Human Rights
Campaign Foundation*



Named a

**Top 100
Company**

BetterInvesting Magazine

Named the

**#1
U.S. Airline**
(in 2020)

Named
**Best Domestic
Airline**

Airforwarders Association



Wall Street Journal

Our Approach

At Southwest, we are committed to doing the right thing by our People, through our Performance, and in service to our Planet. Our Employees, Customers, Shareholders, suppliers, and community partners all contribute to the many opportunities we see for the future of our Company. We take pride in our reputation as the airline with Heart, and that naturally extends to a passion for making a difference in our communities and protecting our resources. We listen to and learn from them, seeking to address their interests in the One Report and beyond.

Our commitment to being a good global citizen is shared in the way we carry out our Purpose—connecting People to what's important in their lives through friendly, reliable, and low-cost air travel.



Reporting Scope

The 2020 Southwest One Report is a snapshot of our corporate social responsibility (CSR) efforts that fall under our People, Performance, and Planet initiatives. The One Report also covers our environmental, social, and governance (ESG) efforts, and reflects the period of Jan. 1 to Dec. 31, 2020 (unless otherwise noted).

The One Report covers only those business activities for which Southwest generally has complete control or ownership. This report does not include facilities primarily controlled by others, such as airport terminal space, or outsourced or subcontracted facilities.

Key Topics

Southwest recognizes the importance of key topics in its CSR and ESG efforts, as it helps us strategically address ESG issues that matter most to our business and our Stakeholders.

In 2020, Southwest completed a formal key topics assessment, conducted by an independent third party, to identify the most relevant

CSR/ESG topics according to our Stakeholders [Communities, Customers, Employees, Governments and Non-governmental Organizations (NGOs), Investors, and Suppliers]. The 2020 assessment examined 28 topics and helped guide the creation of the One Report. Topics were grouped into five categories: Economic, Employees, Environment, Governance, and Social.

Based on Global Reporting Initiative (GRI) guidelines, Southwest identified priority topics using a systematic process for Stakeholder engagement and feedback prioritization that consisted of:

- Evaluating relevant CSR/ESG topics
- Identifying internal and external Stakeholders
- Assessing the organization's impacts
- Evaluating the influence on the Stakeholder groups
- Prioritizing topics

We engaged both internal and external Stakeholders to determine which ESG topics they perceive are most important to our business. We then consolidated topics raised through Stakeholder engagement inputs, assigned rankings, appraised significance of business impact for each topic, prioritized topics, evaluated the risk, and developed our key topics matrix (next page).

People, Performance, and Planet

Our 2020 key topics assessment illuminated areas for potential opportunities to enhance our CSR/ESG reporting approach, and helped us align our CSR/ESG activities with the United Nations Sustainable Development Goals (SDGs), Global Reporting Initiative (GRI), and Sustainability Accounting Standards Board (SASB) reporting frameworks.

Key topics help us strategically address ESG issues that matter most to our business and our Stakeholders.

ESG Key Topics Matrix

Engagement with Stakeholders resulted in the prioritization of topics.



Employees	Economic	Social
CB Collective Bargaining	AB Anti-Competitive Behavior	CH Customer Health & Safety
DE Diversity, Equity, & Inclusion	AC Anti-Corruption	DP Data Privacy
EB Employee Benefits	CM Crisis Management	HT Human Trafficking
EH Employee Health & Safety	EP Economic Performance	Ph Philanthropy
ET Employee Turnover	FM Fleet Management	SD Supplier Diversity
TE Training & Education	IE Indirect Economic Impact	
Re Recruitment	SP Sustainable Procurement	
Environment	Governance	
CR Climate Risk	BD Board Diversity	
EC Environmental Compliance	BO Board Oversight	
FE Fuel & Energy	Et Ethics	
GE Greenhouse Gas Emissions	EO Executive Ownership	
WM Waste Management		

Stakeholder	How We Engage
Employees	<ul style="list-style-type: none"> Employee surveys Company intranet SWALife Other internal communication channels Weekly podcasts from our Chairman and CEO <ul style="list-style-type: none"> Companywide Culture Committee Culture & Engagement Department Diversity, Equity, & Inclusion Department
Customers	<ul style="list-style-type: none"> Customer surveys Social media listening <ul style="list-style-type: none"> Customer call centers Customer emails
Suppliers	<ul style="list-style-type: none"> Supplier Diversity Commitment Online supplier portal ESG-focused questions in supplier RFPs <ul style="list-style-type: none"> Engagement with internal participants in the procurement process Engagement with external participants in the procurement process (suppliers)
Non-Governmental Organizations (NGOs)	<p>Research and publications from the following NGOs help inform our citizenship approach:</p> <ul style="list-style-type: none"> Commercial Aviation Alternative Fuels Initiative (CAAFI) World Economic Forum's Clean Skies for Tomorrow Coalition <ul style="list-style-type: none"> Sierra Club Airport Cooperative Research Program (ACRP)
Airports/Government	<ul style="list-style-type: none"> Engagement with internal participants from Governmental Affairs Department <ul style="list-style-type: none"> Developing public policy positions intended to benefit our Employees, Customers, and communities
Investors	<ul style="list-style-type: none"> Engagement with internal participants in Investor Relations Department Informal investor interviews <ul style="list-style-type: none"> Investor-focused standards such as Sustainability Accounting Standards Board
Regulators	<p>We take regulatory compliance seriously, including with respect to standards and requirements established by:</p> <ul style="list-style-type: none"> Department of Transportation (DOT) Environmental Protection Agency (EPA) <ul style="list-style-type: none"> Federal Aviation Administration (FAA) Securities and Exchange Commission (SEC)
Communities	<ul style="list-style-type: none"> Employee volunteerism Charitable contributions and donations Nonprofit partnerships <ul style="list-style-type: none"> Community Relations Team Medical Transportation Grant Program (MTGP)
ESG Raters	<p>Additionally, we reviewed multiple sustainability reporting standards, and frameworks, and results from independent ESG research firms to inform our reporting efforts, including:</p> <ul style="list-style-type: none"> CDP (formerly Carbon Disclosure Project) S&P Global Corporate Sustainability Assessment <ul style="list-style-type: none"> Institutional Shareholder Services (ISS) Sustainalytics EcoVadis

To better understand the effects of our citizenship initiatives upon our business, we also conducted interviews with:

- Southwest Executive Leadership
- Southwest Citizenship Executive Steering Group
- Southwest Cross-Functional Working Groups

Governance²

The business and affairs of Southwest Airlines Co. (Southwest or the Company) are managed under the direction of the Company's Board of Directors (Board of Directors). The fundamental responsibility of the Board of Directors is to promote the best interests of the Company and its Shareholders by overseeing the management of the Company's business. Among other duties and responsibilities, the Board of Directors is responsible for (i) overseeing the selection, evaluation, development, and compensation of senior management; (ii) assessing major risks facing the Company and reviewing options to mitigate such risks; (iii) reviewing, approving, and monitoring significant financial and business strategies and major corporate actions; and (iv) overseeing the processes to maintain the utmost integrity and proper management of the Company.³

Pursuant to Texas law, the Board of Directors is required to elect a President and a Secretary and may elect such other officers as the Board of Directors deems appropriate, which currently include, among others, the Company's Chief Executive Officer (CEO). The Company's CEO has responsibility for the general management and direction of the Company's business. The duties and powers of the Company's CEO and other officers are set forth in the Company's bylaws.⁴

The Company's bylaws and other information about the Company's governance practices, Board of Directors, and officers are available on southwest.com in the Investor Relations section.

The Southwest Airlines Citizenship Executive Steering Group (CESG) provides input and guidance on social, economic, and environmental topics to the Company's CEO, President, Chief Financial Officer, and Executive Vice President of Corporate Services, all of whom contribute to the Company's policy development and decision-making efforts with respect to these topics. The CESG meets regularly and comprises Officers and Leaders from various departments throughout the Company. The CESG considers feedback from various Stakeholders and works collaboratively with other executive steering groups to take a holistic approach when considering social, economic, and environmental topics. Other internal groups that address CSR and ESG actions and initiatives include our Social Topics Committee; Enterprise Risk Management Team; Diversity, Equity, and Inclusion Executive Steering Group; and Environmental Steering Group.

Southwest's Enterprise Risk Management (ERM) Team assists management in addressing the Company's risk portfolio by collaborating with internal Stakeholders to identify, evaluate, and document risk and mitigation efforts. The ERM Team conducts risk assessments, produces internal reports, defines risk focus areas, and escalates critical risks to Executive Leadership.

Southwest is committed to continually improving the awareness and transparency of our governance of environmental and social topics. Some of our recent efforts in this regard include:

- Expanding disclosure of how our environmental stewardship goals will be compatible with our long-term strategy
- Enhancing integration of diversity, equity, and inclusion (DEI) principles in our hiring and development practices to support goals as outlined in the People section of the One Report
- Expanding governance reporting within the One Report's GRI General Disclosure section

The Board of Directors also recently updated its Compensation Committee's Charter to reflect the Compensation Committee's existing practice of assisting the Board of Directors with its oversight of human resources policies and practices, including the Company's DEI philosophy, practices, and initiatives.

Southwest believes in a sustainable future where a balance exists between protecting the world for future generations and serving the interests of our Shareholders, Employees, Customers, and other Stakeholders, serving as good environmental stewards, fostering a creative and innovative workforce, and giving back to the communities we serve.⁵

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Employee Experience

To create the best possible work environment and continue our investment in human capital, Southwest seeks to provide a stable work environment with equal opportunity for learning and personal growth. We focus on bringing the best People into the Southwest Family by investing in human capital with a competitive total rewards package and providing on-the-job training and encouragement to help Employees succeed. DEI has always been rooted in our Company values, and we strive for our Employee population to represent the diverse communities we serve.

Employees are treated with the same concern, respect, and caring attitude within our organization that they are expected to share externally with every Southwest Customer. Our strategy for employment and labor practices is guided by our Executive Vice President Corporate Services, our People Department, and our Legal Department, which includes a section devoted solely to Labor and Employee Relations.

Our People Department's priorities include (but are not limited to): attracting, developing, and retaining a diverse, talented workforce; providing opportunities for learning, development, career growth, and movement within the Company; evaluating compensation and benefits, and rewarding performance; investing in physical, emotional, mental, and financial health and well-being of Employees; obtaining Employee feedback; maintaining and enhancing Company Culture; and communicating with the Board of Directors on a routine basis on key topics, including Executive succession planning. This work is carried out in collaboration with Southwest Airlines University (SWA U); Culture & Engagement; and Diversity, Equity, & Inclusion Departments.

We conduct Companywide surveys of our Employees throughout the year to assess their job satisfaction. Survey feedback allows us to better improve our ability to attract, develop, and retain Employees who will help us achieve Southwest's business objectives. Our dedicated Employee Experience Team actively evaluates and maps the Employee Experience to identify opportunities to improve—such as onboarding

new Employees, identifying moments that matter to current Employees, and offboarding Employees leaving the Company.

To create the best possible work environment, we strive to provide our Employees with advanced notice of significant operational changes through proactive communication. For example, we provided notice to our Contract Employees (and their respective Unions), as well as Noncontract Employees when we made operational changes to our flight schedule and policy updates related to mask requirements, refund changes, enhanced aircraft cleaning procedures, and Customer and Employee health declarations as a result of the COVID-19 pandemic.

We implemented Company procedures that support and respect the protection of human rights within our sphere of influence, and we provided notice and training opportunities to our Employees on subjects like Human Trafficking awareness. We recognize lawful rights of Employees to choose or not choose collective bargaining representation. Our approach focuses on negotiating labor agreements that achieve positive outcomes for our People and Company.

Supply Chain

To support our operation, we purchase goods and services from nearly 4,000 sources across multiple continents and countries, but the majority of our supply base and spend is in the U.S. domestic market since our network footprint is primarily as a North American carrier. We maintain relationships directly with various types of suppliers, including service providers, contractors, manufacturers, brokers, and wholesalers.

We strive to provide Southwest with the highest quality products and services at the lowest total costs. While we have dedicated Teams within our Supply Chain Management Department, such as Fuel Management, Aircraft Maintenance, Technology, and Enterprise Supply Chain, we aim to manage our supply chain holistically and by utilizing analytically rigorous and dynamic approaches to optimize system efficiency. Our Supply Chain Management Department monitors supplier performance, assesses risk and plans for

Rising to the Occasion

As we say so long to a year full of the unexpected, let's take a moment to reflect on a few of the milestones achieved to support the well-being of our Customers and Employees between March and December. As part of the Southwest Promise, Teams worked diligently to bolster cleaning efforts while procuring and distributing various forms of personal protective equipment and supplies. Our Employees' flexibility, determination, and tenacity will be forever etched into the history of our Company.

4,800,000+
surgical masks
distributed

Fun fact:

We purchased enough gloves for the entire population of Illinois to receive a pair

16,000
gallons
of hand
sanitizer
purchased

Fun fact:

We distributed enough masks that when lined end to end reach as long as our BWI-FLL flight



13,600,000
pairs of gloves
purchased

Fun fact:

The total area covered by the acrylic glass barriers that we installed is nearly the wing area of 7 Boeing 737s



1,864
acrylic glass
barriers
installed

15,000+
gallons
of facilities
cleaning
products
purchased

422,000
individual
2 oz. bottles
of hand
sanitizer
purchased
for Employees



443,400+
labor hours spent on enhanced overnight aircraft cleanings



Fun fact:

Labor hours spent cleaning aircraft translates into more than 3 round trips to Pluto on the spacecraft New Horizons



potential supply chain disruptions, and analyzes our supply chain spend so we can continuously improve performance.

Southwest is committed to maintaining our low-cost Leadership through effective and efficient procurement practices and spending our capital wisely. All suppliers are treated fairly and impartially during the evaluation and selection process. We use more than one selection process, depending on Company requirements and supply market conditions. Each selection process is focused on finding the best combination of quality, reliability, efficiency, and service for Southwest at the lowest total cost. Internally, our Employees are expected to adhere to a Procurement Policy for Employees and we expect all internal and external participants in the procurement process to observe the highest standards of ethical conduct. We also have a supplier assessment questionnaire as a crucial part of the vetting process and expect suppliers to comply with applicable laws, including those regarding child and/or forced labor.

Our efforts to respect and protect human rights also extends to our supply chain. We partner with our suppliers to have a positive impact with the products and equipment we use in the skies, on the ground, and in our offices. We seek to build sustainable relationships with our suppliers to help fulfill our operational needs, stimulate economic growth in the communities we serve, support small and minority-owned businesses, and satisfy the expectations of our Stakeholders. [Our Supplier Diversity Program](#) looks to build sustainable, diverse suppliers that are: Small, Small Disadvantaged, Women-owned, HUBZone,

Veteran-owned, Service-Disabled Veteran-owned, Minority-owned, Disabled-owned, and LGBT+-owned. A diverse workforce, which includes our suppliers, helps keep Southwest strong and inspires unity.

At Southwest, we understand that our business impacts the markets we serve. We strive to positively affect these communities by way of our outreach and engagement initiatives to build longstanding relationships with our community partners and suppliers.

Diversity, Equity, and Inclusion

Southwest recognizes, respects, and values differences. By fostering a Culture that embraces and utilizes diversity, we promote Teamwork and innovation that contributes to our overall success. Since 1971, inclusion has always been at the Heart of Southwest Airlines, utilizing diversity of thought and experience. As the underdog creating a new way to fly, we needed everyone and their point-of-view to make that goal a reality.

Southwest is committed to advancing diversity, equity, and inclusion (DEI), and as we continue our journey, we will maintain our efforts to cultivate a workforce and Leadership Team to reflect the diversity of the communities we serve. We will also support learning and development efforts that are democratized and inclusive of various career growth paths.

Our Diversity, Equity, and Inclusion
Department's vision is to cultivate a diverse and inclusive experience for all our People to thrive—Employees, Customers, and Partners. The department leads actions and measures to promote an inclusive Culture and environment by:

- Assisting with crafting the enterprise's DEI vision
- Leading strong communication efforts to build shared language, meaning, and understanding
- Managing DEI as a strategic asset
- Auditing and monitoring equity
- Tracking and assessing progress and improvements
- Reporting to the Board of Directors
- Championing informal and formal conversations and perspectives on DEI

Southwest is built on a network of relationships. Building diverse, equitable, and sustainable relationships is a top priority. We believe our DEI Promise is a key tool in nurturing inclusion.

- **It's about Team:** The collaboration of thoughts, backgrounds, and experiences helps us achieve our common goal as a Team
- **It's about value:** Our Employees value the ability to bring their authentic selves to work each day while meeting our Southwest expectations
- **It's about respect:** Our pride in Southwest Airlines fuels our unity. The respect we show our Fellow Employees matters to our work, our Team, and our Company

Southwest is committed to maintaining our low-cost Leadership through effective and efficient procurement practices and spending our capital wisely.



Prior to 2020, we had been on a years-long journey to advance DEI and build the cultural competency of our organization. Key performance indicators (KPIs) to track success of these efforts came from DEI feedback tools and activities, such as:

- Employee surveys
- DEI-focused “Pulse Point” intranet surveys
- Event attendance
- Participation in DEI training

We offer anonymity for Employees to share if other Employees are not aligning to our Company values. We are committed to our DEI Promise, and we do not tolerate discrimination, bullying, retaliation, or harassment.

We have established a five-year roadmap with respect to our objectives, so that we can harness the power of diverse backgrounds and experiences that will contribute to our overall success. In 2021, we seek to continue to build a solid foundation and cultivate shared understanding among all Employees. As we move forward, we strive to understand and establish metrics to track results and progress that will feed the organizational expectation and provide solid results for feedback.

Training and Development

Southwest Airlines University (SWA U) provides a variety of training and curriculum options such as classroom training, distance learning, on-the-job training, mentoring, and blended learning for our Employees. We regularly evaluate skill sets needed by our Employees to stay competitive in an ever-changing, highly regulated environment.

Traditionally, our Employees received the majority of their training at our Dallas campus, but our training approach shifted in 2020 due to the pandemic. SWA U launched the Southwest Learning Center in June to provide Leaders and Employees with a clean, simple catalog of virtual training opportunities—addressing both required training needs and optional curriculum.

In 2020, we also launched Career Mobility as a centralized resource for our Employees to learn about the skills, experiences, and education needed for their next career step at Southwest. Career Mobility allows Employees



to meet with Career Mobility Partners who can direct them to specific SWA U classes, temporary opportunities, or interview preparation techniques in order to increase diversity and vertical and lateral mobility for all Southwest Employees.

In 2019, Southwest Airlines partnered with Gallup® to launch CliftonStrengths, which allows Employees to discover their own strengths and helps them empower others to develop theirs. As of March 1, 2021, we have introduced CliftonStrengths to nearly 90% of our departments and plan to expand the program's reach to every Employee.

Southwest believes our focus on diversity training enables enhanced Teamwork and innovation. In 2020, we partnered with Mind Gym to launch their Fearlessly Authentic curriculum, which supports our commitment to foster an inclusive environment where Employees embrace differences and feel a sense of belonging.

Occupational Health and Safety

Southwest Airlines' Operational Philosophy defines key principles and expectations for Frontline Employees. Most importantly, and without compromise, we put Safety first. Employees follow Company policies and procedures designed to enable operations at an acceptable level of risk for Southwest. Next, and only after operating safely, we balance low cost and Reliability, all delivered with world-class Hospitality. The Operational Philosophy provides a framework to operate safely, and in turn, position Southwest Airlines for success.

Our Safety Management System (SMS) is the foundation that enables Southwest to operate safely. The SMS framework has four main components: Safety Policy, Safety Risk Management, Safety Assurance, and Safety Promotion. Each of these components is woven into our processes and establishes the structure for Safety at Southwest.

Southwest's Safety Policy is reflected in our Safety and Security Commitment. The commitment is a pledge of all Southwest Employees and Senior Leadership to the Safety and Security of our Customers and Employees—it establishes clear Employee expectations and associated accountability. Southwest Employees are expected to demonstrate their commitment to Safety by:

- Following Company policies and procedures
- Identifying anything that could cause damage or injury
- Reporting hazards through Companywide reporting tools
- Knowing and understanding our Safety and Security Commitment

Our operational processes incorporate participation from Employees to help identify, develop, and implement procedural changes, including those specific to mitigating hazards.

The Safety Risk Management function of our SMS provides a proactive, systemic, and standardized process designed to identify hazards and risks to the operation and workplace before they become injuries, accidents, or incidents. Safety Risk Management is designed to mitigate risk through the implementation of effective risk controls.

Launched Career Mobility as a centralized resource for Employees to learn about the skills, experiences, and education needed for their next career step at Southwest.

Four Functions of Southwest's Safety Management System (SMS)

Safety Promotion

Includes training, communication, and other actions that create a positive Safety Culture within all levels of the Company



Establishes our commitment to continually improve Safety, and defines the methods, processes, and organizational structure needed to meet our Company's Safety goals

Safety Policy

Determines the need for, and adequacy of, new or revised risk controls based on the assessment of acceptable risk

Safety Risk Management

Evaluates the continued effectiveness of risk controls and supports the identification of new hazards

Safety Assurance

The Safety Assurance function of the SMS relies on data and analytics to continuously measure and analyze the effectiveness of risk controls and overall Safety performance. Southwest monitors Safety performance using a variety of data including Employee reporting, aircraft information, Safety investigations, fatigue programs, and audits. Using the data, we conduct root cause analyses, execute audits, and perform procedural change analysis to recommend work process and equipment changes.

All areas of the SMS receive Companywide and department-specific Safety Promotion support, which includes both training and communication related to Safety. Southwest has developed specific job function training built around comprehensive standards intended to provide Employees the skills they need to operate safely.

Partnership, and Florida Economic Development Council. We uniquely contribute to each community focusing on gaps and opportunities that will help drive economic, social, or environmental benefits.

We provide life-changing transportation for families in need and medical professionals during times of crisis, and humanitarian relief cargo shipments that aid in life-saving efforts. We advance DEI through many of our efforts and promote environmental stewardship through many conservation-focused projects. And we concentrate on building resilience in the communities we serve by engaging in civic and community partnerships and investing in disaster preparedness, recovery and response, and education.

We remain diligent in monitoring emerging societal issues and topics. Our response to these circumstances is based on a number of factors, including the potential impact on our Employees, brand and reputation, business operations, and Customers.

We regularly review our annual community contributions and continue to evaluate their effectiveness through impact reports and ongoing touchpoints with key partners and Stakeholders. We regularly solicit reports and metrics from our Partners and we continue to hone our own reporting process to further refine our overall citizenship progress and results.

Community Outreach

Southwest's Community Outreach efforts consist of authentic civic and business relationships across the more than 100 communities within the Southwest system. In 2020, we contributed to 95 national, state, and local membership organizations including, but not limited to, the U.S. Chamber of Commerce, Greater Baltimore Committee, Downtown Denver Inc., Dallas Regional Chamber of Commerce, Hawaii Lodging and Tourism Association, Los Angeles Area Chamber of Commerce, Greater Houston

Economic Impact

Jobs and benefits, returns on investment, business partnerships, and Customer Service and Safety are all ways in which our economic performance matters to our Employees, Customers, Shareholders, suppliers, and the communities in which we operate. We strive to continuously improve our Performance by focusing on our Purpose, and our People are dedicated to fulfilling our Vision. Southwest is known for a triple bottom line approach that contributes to our Performance and productivity. Employees share in Southwest's success with our ProfitSharing Plan, the first in the airline industry. This approach helps us retain Employees, reducing turnover costs. We expect our market presence to generate substantial savings for our Customers through the well-known "Southwest Effect" of invigorating competition by reducing fares and stimulating additional passenger traffic in the cities where we fly.

Our commitment to the Planet helps us manage costs by using resources efficiently and identifying emerging environmental trends and risks. In the air, we strive to responsibly manage our fuel consumption and improve our emissions intensity. Given fuel is one of our largest expenses, managing fuel consumption is not only good for the environment, it's also good for our bottom line. Regarding our position on potential risks associated with climate change, in our CDP (formerly the Carbon Disclosure Project) response, we identified risks associated with regulatory change and physical climate risks like extreme weather events as having the potential to create operational complexities. These complexities may affect airline operations, which could result in impacts to operational and capital costs and ontime performance.

Southwest has defined contribution plans covering most of its Employees. The Company sponsors Employee savings plans under section 401(k) of the Internal Revenue Code of 1986, as amended. The Southwest Airlines Co. 401(k) Plan includes Company matching contributions subject to limits specified by the Board of Directors, the Internal Revenue Code, and applicable U.S. Treasury regulations, and the Southwest Airlines Pilots Retirement Saving Plan has non-elective Company contributions. In addition, the Company may contribute a percentage of its eligible pre-tax profits, as defined, on an annual basis to the Southwest Airlines Co. ProfitSharing Plan (ProfitSharing Plan)—a defined contribution plan. No Employee contributions to the ProfitSharing Plan are allowed. The amount associated with the Company's defined contribution plans expensed in 2020 was \$561 million.

Additionally, the Company provides post-retirement benefits to qualified Retirees in the form of medical and dental coverage. Employees must meet service

and age requirements as set forth by the Company, or as specified in collective bargaining agreements with specific workgroups. Employees meeting these requirements, as defined, may use accrued unused sick time to pay for medical and dental premiums from the age of retirement until age 65. All medical plans are unfunded, and Southwest pays benefits as they become due. Estimated future post-retirement benefit payments expected to be paid are \$24 million in 2021, \$25 million in 2022, \$24 million in 2023, \$24 million in 2024, \$26 million in 2025, and \$146 million for the next five years thereafter.⁶ Learn more about our post-retirement benefits on page 143 of the Company's [2020 Annual Report](#).

As a result of the COVID-19 pandemic, the Company entered into definitive documentation with the United States Department of Treasury (the Treasury) with respect to funding support pursuant to the Payroll Support Program (Payroll Support) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). During 2020, the Company received a total of \$3.4 billion of relief funds under the CARES Act. As consideration for the Payroll Support, the Company issued a promissory note (the Note) in favor of the Treasury and entered into a warrant agreement with the Treasury (the Warrant Agreement), pursuant to which the Company agreed to issue warrants (each, a Warrant) to purchase common stock of the Company to the Treasury. During 2020, the Company provided a Note in the aggregate amount of \$976 million and issued Warrants valued at a total of \$40 million to purchase up to an aggregate of 2.7 million shares of the Company's common stock, subject to adjustment pursuant to the terms of the Warrants. Pursuant to the terms of the Payroll Support Program agreement and the CARES Act, the Payroll Support funds could only be utilized to pay qualifying salaries, wages, and benefits, as defined in the CARES Act. In addition, the CARES

Act provided a temporary tax holiday from collecting and remitting certain government ticket taxes for tickets purchased between March 28, 2020 and Dec. 31, 2020.

Our market presence and low fares are designed to stimulate economies in cities where we fly. We also make investments in infrastructure and services that more broadly affect the communities we serve in terms of jobs, access to services, or other impacts. By working with local communities and regulators, we strive to maximize our total investments to benefit and enhance local and regional economies. To steward our resources responsibly, we regularly review our annual investments and continue to evaluate their effectiveness through impact reports and ongoing touchpoints with key Partners and Stakeholders.

Environmental Stewardship

We recognize the importance of environmental stewardship and believe it's our responsibility to protect our Planet now and for future generations. We do our part to make environmentally responsible decisions; minimize our environmental impact by collecting and analyzing information on our energy consumption, emissions, and waste; and improve the actions we take to mitigate our impacts.

In 2020, a third-party assessment of Southwest's greenhouse gas (GHG) emissions inventory was completed in accordance with the AA1000 Assurance Standard. This assurance engagement included our Scope 1, Scope 2, and Scope 3 GHG emissions.⁷

As of Dec. 31, 2020, we are meeting our GHG emissions targets without using carbon offsets.

Environmental Commitment

We have evaluated and implemented ways we can improve environmental stewardship. We have aggressive efforts in place to reduce emissions intensity, manage waste, use fuel more efficiently, and repurpose materials to minimize impact on landfills. This includes:

- Partnering with organizations such as Red Rock Biofuels and the Department of Energy's National Renewable Energy Laboratory (NREL) to support sustainable aviation fuel (SAF) development and production
- Returning the Boeing 737 MAX 8 to service, our most fuel efficient aircraft
- Expanding our Boeing order book through 2031, including 100 additional Boeing MAX 7 aircraft, which are expected to replace less fuel-efficient Boeing 737-700 aircraft
- Continuing ongoing work of our Repurpose with Purpose program, which diverts materials and items traditionally destined for landfills while generating social and economic opportunities for communities

During 2020, Employees from across the Company reviewed existing plans and developed new ideas to strengthen our environmental commitment:

- Focusing on the goal of carbon neutrality by 2050 and are looking to incorporate more Sustainable Aviation Fuel (SAF) partners and introduce carbon offsetting into our operation⁸
- Improve our owned facilities' environmental footprint
- Create a sustainable inflight experience for our Customers
- Continue our work with a variety of organizations, nonprofits, and government entities, including Airlines for America (A4A), whose work complements our efforts to advance our environmental commitment
- Invite individual and Corporate Customers to participate in any future carbon offset program

Environmental Compliance

Maintaining compliance with local, state, and federal environmental laws and regulations is fundamental to our environmental policy. We continually work to meet our annual goal of zero recorded environmental violations. Our Environmental Services Team regularly conducts audits to review compliance, and works to improve our performance by utilizing our environmental management system (EMS), following environmental guidelines and procedures, implementing corrective action, and training our Employees to meet our compliance goals.

Our standard auditing protocol assesses a location's recordkeeping permit status, and compliance with requirements of regulatory plans such as Storm Water Pollution



**We recognize
the importance
of environmental
stewardship and believe
it's our responsibility
to protect our
Planet now and for
future generations.**

Prevention Plans, Spill Prevention Control, and Countermeasure Plans. We perform a visual walk-through inspection to confirm that key compliance practices are enacted in each of the cities we serve. At all of our locations, we also track spills, audit findings and corresponding corrective action, and information about permits and their expiration dates. We set goals and use an EMS and chemical management system (CMS) to aid in our effort to maintain compliance with environmental regulations, minimize costs and risk, and measure our efforts to improve our environmental performance. Southwest's Leaders and Employees are also responsible for:

- Auditing our environmental vendors to verify their operations are compliant, and they demonstrate a commitment to environmental stewardship
- Continuing to improve our performance for reducing GHG emissions intensity
- Providing transparency of our environmental performance to our Stakeholders through public reporting and third-party verification and assurance of our GHG emissions inventory

Sustainable Aviation Fuel (SAF)

Given that fuel is one of our largest expenses and the burning of it produces GHG emissions, we strive to reduce future emissions while continuing to provide safe, reliable, and affordable air transportation for our Customers.

Southwest commits to explore environmental policies and practices of potential sustainable aviation fuel suppliers, specifically with respect to mitigating deforestation and forest degradation in the production of sustainable aviation fuels.

Effluents and Waste

While these topics are outside the boundary of key topics for Southwest, we continue to report on our waste and recycling efforts as they minimize our environmental impact by:

- Conserving natural resources, including efficient water and raw materials use, while continuing to meet our operational requirements
- Minimizing waste and pollution from our operations and preventing it where possible, while remaining true to the triple bottom line of People, Performance, and Planet

Public Policy

Legislative and regulatory changes have the potential to limit our opportunities for growth, and government policies and legislation can have a deep impact on how we do business. Our Governmental Affairs Team works to stay on top of proposed statutory and regulatory changes and to educate a wide



range of policymakers and Stakeholder groups directly. We also present our views on these topics through trade associations, chambers of commerce, and interactions with public officials at the federal level and in the states and communities we serve.

One trade association in which we participate is Airlines for America (A4A), which allows us to gain insight into core issues for the airline industry as a whole and to advocate jointly for regulations that support a healthy, competitive industry. We also benefit from the opportunity to share technical expertise and operational knowledge that leads to improved margins of Safety and Security, greater Employee and Customer Satisfaction, and better overall operational efficiency and Reliability.

Southwest has adopted a policy that it will primarily use its affiliated political action committee, the Southwest Airlines Co. Freedom Fund (Freedom Fund), financed by voluntary Employee contributions, to support political campaigns. Company funds will be limited to supporting selected political campaigns at the state and local level in compliance with the laws of the relevant states and localities. We hold in high regard the responsibility of managing the Freedom Fund and being good stewards of our Employees' hard-earned dollars. We have a time-tested evaluation process when considering Freedom Fund contribution requests and our criteria for giving are evaluated annually. Additionally, the criteria, as well as all political campaign contributions from the Freedom Fund or by the Company directly, are approved by the Senior Vice President of Governmental Affairs and Real Estate, and overseen by Southwest's Executive Vice President, Chief Legal and Regulatory Officer, with an annual summary of those contributions provided to the Southwest Board of Directors. All political contributions are intended to promote the interests of the Company and are not guided by any private political preferences of any Employee. All contributions by the Freedom Fund are disclosed via publicly available reports filed monthly with the Federal Election Commission. The Company strives to comply with all applicable federal, state, and local campaign finance restrictions and disclosure requirements.

In 2020, contributions from the Freedom Fund totaled \$145,000 to political committees at the federal level and \$23,500 to political committees at the state and local levels. Moreover, the Company contributed \$2,000 directly to political campaigns at the state and/or local level in one state (California). In 2020, the Company did not support or finance any state or local ballot measure before voters. At the federal level, no Company funds were used to support or finance any political campaign, nor did the Company support or finance any so-called "Super PACs" or any political committees organized under section 527 of the Internal Revenue Code. The Company made no contributions to a politically-affiliated 501(c)(4) organization in 2020.

In 2020, A4A, our airline industry trade association, determined that \$931,559 of the total dues paid by the Company to A4A were nondeductible lobbying expenses. Southwest also paid dues to several other national, state, and local trade associations, and chamber organizations, in which a portion of those dues were used by these organizations for nondeductible lobbying activities. However, in all cases, that portion was not more than \$1,500 annually for each organization.



SUSTAINABLE DEVELOPMENT GOALS

How We Support the Global Goals

[Read more](#)



Putting People First

As you read through this section of the One Report, you might notice that we talk a lot about “our People.” When we say “our People,” we mean more than our Employees. Of course we love our Employees (they’re Members of our Southwest Family!), but we also believe that our Customers and communities are “our People” too. So we treat them with the same concern, respect, and caring attitude that they’d experience as part of the Southwest Team. So when we say “our People,” you’ll know what we mean: we’re a Company of our People, focused on serving our People.



Enhanced DEI Commitment

Evolved our hiring and development practices to support newly established diversity objectives



Southwest Promise

Successfully launched the Southwest Promise, supporting the health and well-being of our Customers and Employees during the COVID-19 pandemic



\$3 million

Provided more than \$3 million in support to help those affected by the COVID-19 pandemic

Employees p15

Customers p21

Communities p23

People Data Table p27



KEY TOPIC

Employees

Over the years, we've seen how treating our Employees well does good things for the rest of our business. We provide them with great jobs and benefits, and a world-famous Culture where they are encouraged to draw on their unique perspectives, skills, and experiences in their day-to-day jobs. Because authentic, empowered Employees make great ambassadors, and that positively affects Customers, the world around us, and the success of our business. It's no wonder we've always said Employees are the Heart of Southwest.

STORIES

[Employee COVID-19 Response](#) >

[Deepening Our Commitment to Diversity, Equity, and Inclusion \(DEI\)](#) >

[Sharing Our Company Values](#) >

Employee COVID-19 Response

Southwest has a longstanding dedication to preparedness and emergency response. As part of our preparedness mission, we provide resources to plan for and respond to emergency events with confidence and compassion to care for our Employees, Customers, and communities.

Throughout the years, our proactive planning and readiness has helped us handle many kinds of emergencies. We have Emergency Response Plans in place for aircraft accidents, weather disruption events, natural disasters, terrorism, and infectious disease outbreaks. While we never wish to enact such plans, knowing we have them in place gives us peace of mind and helps us respond quickly in emergency situations like the COVID-19 pandemic.

It's no secret COVID-19 brought the travel and tourism industry to a standstill and affected every related business—from hotels

and entertainment events to restaurants and (of course) airlines. Following the first reports of possible COVID-19 cases in the U.S. in January 2020, Southwest pulled together a Disaster Response Team and began to coordinate with the U.S. Centers for Disease Control and Prevention (CDC) and other health organizations to develop a plan for how to best protect our Employees and Customers.⁹

Throughout the pandemic, the Team has diligently met and stayed in touch with government entities, and we continue to evaluate our policies and procedures based on public health guidance,

UN SDG Alignment



GRI Index

403-2
403-3
403-4
403-5
404-2

scientific research, and advice from medical and aviation organizations. Some of our earliest policies and procedures were implemented at the beginning of March. To support our Customers, we launched resources like the [Southwest Promise](#), and to further support our Employees, we began making operation-wide adjustments, such as canceling non-essential face-to-face meetings, requiring face masks to be worn in all work locations, and implementing physical distancing.

As the pandemic is ever-evolving, the entire Southwest Team has tirelessly responded and adapted.

Keeping Our Employees Informed

Throughout the COVID-19 pandemic, Southwest has continued to monitor information from the CDC and partner with medical experts to make informed decisions. We want our Employees to be equipped with accurate and timely information to perform their jobs safely while exhibiting the warm Southwest Hospitality for which we are known. To keep our Employees informed in the face of a constantly evolving situation, we regularly communicate with all of our Employees via internal communication channels like SWALife (our internal intranet) and other department-specific channels.

In addition to his longstanding weekly podcast, our Chairman and CEO Gary Kelly issued more than 50 video messages to our Employees in 2020, providing updates from the very top on the situation at hand, explaining the reasons for newly adopted operating procedures, and providing strategic business updates. This informative communication format is one we are still producing for our Employees today.

All Hands on Deck Approach

Part of weathering the COVID-19 pandemic has entailed keeping our costs low as we wait for travel demand to recover. Southwest has proudly avoided furloughs in its nearly 50-year history—an astonishing feat in and of itself that was thanks in part to the passing of the Federal Government's Payroll Support Program (PSP) extension in December 2020, and the hard work of our Employees. As a result of the PSP extension, we do not anticipate the need to conduct any furloughs or pay cuts during 2021.¹⁰

Avoiding furloughs in 2020 can largely be attributed to our incredible Employees. Our Employees redoubled their efforts to cut non-essential spending and reduce costs and were excited to try new ideas, such as offering cargo-only charter flights for the first time in Company history. In true Southwest Spirit,



our People are always eager to make a difference, and many asked the question, "How can I help the Company during these times?" Thousands upon thousands of our Employees stepped up to help Southwest weather this storm. Whether it was sharing and executing cost-saving ideas, helping fill needs in other departments, or sharing information about the Southwest Promise with friends and families to encourage travel, our Employees were there to help.

Another way our Employees supported Southwest was by participating in different voluntary programs, like the Voluntary Separation Program 2020 (VSP). This option provided departure packages for Employees who wished to permanently separate from the Company. We also offered eligible Employees the opportunity to take Extended Emergency Time Off (ExTO). Approximately 15,000 Employees, representing 25% of our workforce, participated in one of these voluntary programs. These crucial programs reduced our annual 2020 salaries, wages, and benefits expense by approximately \$565 million.

Many Employees who couldn't take 6, 12, or 18 months through ExTO could still consider taking a calendar month of Emergency Time Off, or ETO. With ETO, Employees maintained benefits not typically offered during a leave of absence (e.g., Travel Privileges). In addition, Time Off Without Pay (TOWOP) and Leave Without Pay (LWOP) could be taken in smaller time increments. Between March and December 2020, the ETO, TOWOP, and LWOP programs accounted for a savings of approximately \$265 million. The voluntary efforts many Employees chose, like ETO, ExTO, LWOP, TOWOP, and the VSP, helped tremendously to adjust staffing in light of the reduced travel demand.

We're a Family at Southwest, so seeing the largest departure of Employees at one time in our history due to VSP was tough, but it was the right option to offer. We were grateful to have the resources to offer our People the most generous voluntary program in our history, even in these difficult times. Our Hearts will always be with those Employees who helped Southwest by taking the VSP; they will forever be a part of the Southwest Family.

Going Virtual

Starting in March, many of our Corporate Campus and Customer Support and Services Employees began working remotely. Internally, this required some quick adjustments to implement an updated work from home setup and platform so our Employees had the right tools and resources to do their jobs. Many departments, workgroups, and Teams pivoted from in-person events and activities to virtual. From department-wide meetings to Team celebrations, many of our Employees embraced the opportunity to utilize technology and get together virtually to stay connected during this time!

Southwest Airlines University (SWA U), which provides training and development opportunities for all Employees, also had to quickly pivot how it supports our Employees. Like many public schools and universities around the country, we canceled in-person classes and transitioned to a virtual learning model—all in a matter of days. Topics traditionally taught in a classroom are now available online. Additionally, a wider range of learning content is now immediately accessible, providing a more efficient experience than traditional in-person offerings as Employees can now complete the curriculum on their own time.

Employees Supporting Employees

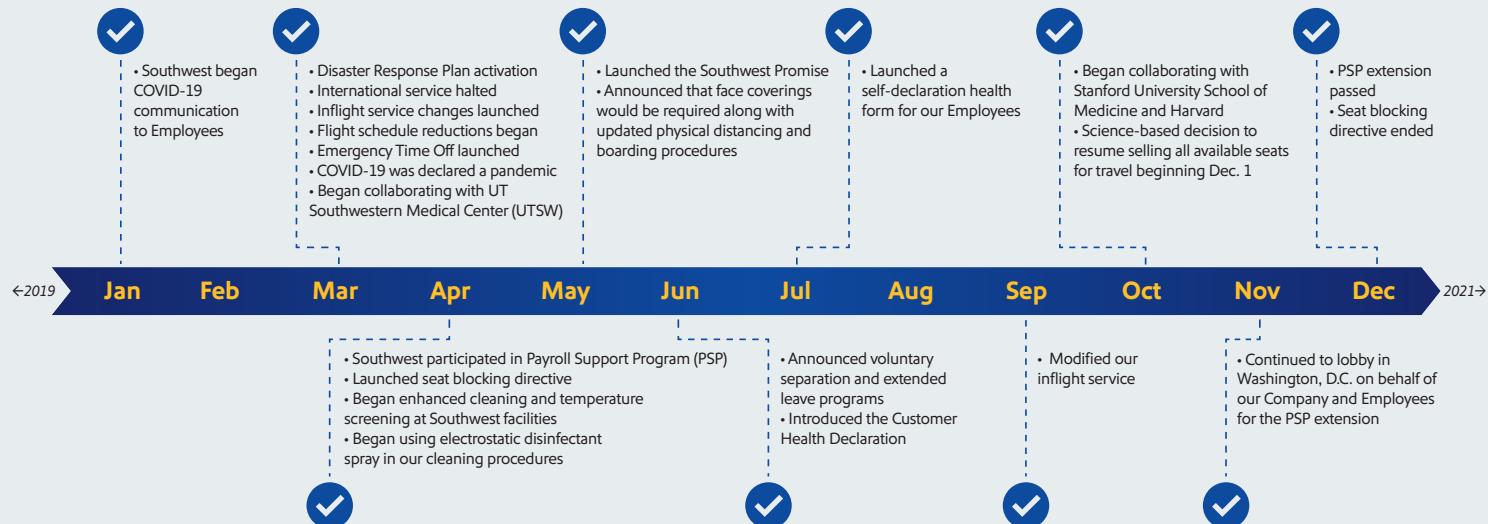
Since its inception in 1990, the Southwest Airlines Employees Catastrophic Assistance Charity (SWAECAC, or the Charity) has offered support to countless Employees suffering financial hardships resulting from a catastrophic event in their lives. Operating as a separate entity from Southwest, this 501(c)(3)

nonprofit organization has its own Board that consists of Employees from across our Company. This Board reviews applications for financial assistance and since its inception has awarded more than \$15 million to Employees and their families in need. The bulk of SWAECAC's financial support is thanks to the generosity of Employee contributions, private donations, department fundraisers and events, and various other fundraisers throughout the year—really making it an initiative that supports Employees, by Employees.

In May 2020, the COVID-19 pandemic continued to cause unexpected hardships for many people around the world, including some of our Employees and their immediate families. In response, SWAECAC made a COVID-19-specific grant relief opportunity available for our Employees. The purpose of the grant was to provide support due to loss of income as a result of the economic effects of the pandemic and to help offset related financial hardships. Applicants were required to substantiate pandemic-related hardship—for example, financial strain due to loss of employment or furlough of a spouse/partner.

The Charity continued to accept and review the standard applications for Personal Hardship, Disaster Assistance, and Natural Disaster Urgent Assistance. COVID-19 relief was just an additional way Employees could seek supplemental support during these trying times. In August, the Charity also transitioned to an online application process, helping improve both the application experience for Employees and operational efficiencies of the Charity. Over the course of 2020, the SWAECAC awarded more than \$489,000 in grants to support our Southwest Family in need.

Southwest COVID-19 2020 Event Timeline





Deepening Our Commitment to Diversity, Equity, and Inclusion (DEI)

In many different ways, 2020 was a trying year. People throughout the world were affected by a devastating global pandemic that had serious financial implications, forcing many businesses to shutter. And in the wake of the tragic killing of George Floyd, racial tensions and social unrest came to a head in the United States and then swept to other parts of the world. The circumstances of George Floyd's killing—and that of too many other Black Americans—highlighted the importance of continued efforts to address racial injustice, and Southwest is committed to doing its part. We must not tolerate racial injustice. We must not tolerate hate. We must stand for love.

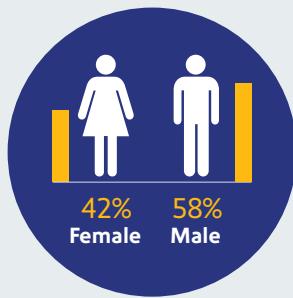
UN SDG Alignment



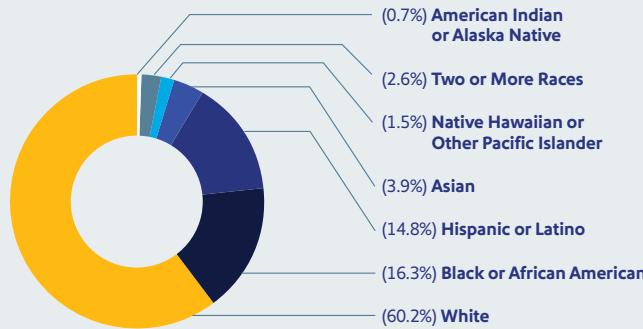
GRI Index 405-1

Who We Are at a Glance

By Gender



By Ethnicity / Race



Following the events of summer 2020, Southwest developed a Diversity, Equity, and Inclusion (DEI) Rapid Response Team comprised of cross-functional internal Stakeholders and subject matter experts who quickly evaluated our current efforts and made additional recommendations to enhance our commitment to DEI:

- Launched a Diversity Leadership initiative with representatives from multiple departments
- Enacted processes to support diverse candidates and interview panels
- Enacted People development tools, including a formalized mentorship and sponsorship program
- Launched a DEI education and training program with recurrent, required DEI training for Leaders
- Adopted and designed a customized, unconscious bias training called "Fearlessly Authentic" to serve as the foundational tool to educate and equip all Employees in cultivating and nurturing a diverse, equitable, and inclusive Culture
- Made talent advancement and management tools more accessible to Leaders and Employees

Based on voluntary reporting by Employees.

In the fall of 2020, we announced the following objectives:

- Evolving hiring and development practices to enhance diversity, including posting all open Leadership positions (Supervisor to Vice President) and requiring diverse candidate slates for each role
- Measuring progress in increasing diversity in Senior Leadership, including our Senior Management Committee
- Engaging breadth of community Partners to leverage those relationships as we source diverse talent

Additionally, the Southwest Board of Directors has committed to increasing its diverse representation by 2025.¹¹ Southwest's DEI pillars and key focus areas are Career, Culture, Community, and Customers. We strive to operationalize DEI in all of these areas.

Education, Bias Training, and Advocacy

Southwest has always stood for inclusivity, with the support of Leaders, Employees, Diversity Council, Military Ambassadors, and President's Council. In 2020, we continued to have conversations about DEI inside our Company and throughout our communities. Knowing that we can always do better, throughout the year Southwest made adjustments and improvements and took new strides on initiatives that we believe will help us better advance our efforts to combat racism and promote inclusivity.

Listen, Learn, and Act

DEI isn't a new focus for Southwest, but the events of 2020 gave us an opportunity to look inward at ways we can do our part to continue driving change and champion an inclusive workplace. One of the first ways we can drive change is by creating and inviting conversations. Fostering open conversations contributes to our learning and understanding and allows us to be comfortable with the uncomfortable feeling often associated with conversations on race, equity, and inclusion. It is our view that



"For nearly 50 years, Southwest has exemplified a passion for putting People first, which includes standing for diversity, equity, and inclusion. At Southwest, we recognize, respect, and value differences while fostering a Culture and workplace that embraces and utilizes our diversity. Throughout 2020, we had many important and crucial conversations around this topic that helped us identify additional ways we can improve our efforts—an important part of how our Company will continue to become the most loved, most efficient, and most profitable airline in the world."

—Bob Jordan, Executive Vice President of Corporate Services

conversation is a key lever in helping to foster an environment of value and respect. These important conversations allow us to harness the best in each of us. When we can bring our full selves to work, we, our Customers, and our business all thrive.

In 2020, the Southwest Diversity, Equity, and Inclusion Department completed numerous workshops and listening forums through a model of listen, learn, and act, to begin examining more deeply the issues of racism, equity, and inclusion. Many workgroups throughout the Company created psychologically safe spaces for additional dialogues and discussions about these important topics. We also distributed refreshed resources to educate Employees and Leaders and guide our Employees in having conversations about race and inclusion.

Honoring Black History Month





Sharing Our Company Values

Southwest is known for our legendary Hospitality and world-famous Culture. Our Culture is often imitated but never duplicated, and every Employee plays a role in promoting and preserving it. Happy, empowered Employees make great ambassadors, and they positively impact our Customers, our business, and the world around us.

Over the past five decades, we've remained steadfast in our Purpose to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. As we prepared for our 50th year in business, we took the opportunity to refine our Company Values and further strengthen their alignment to our Vision to be the world's most loved, most efficient, and most profitable airline.¹²

In 2020, we evolved our Vision to be the world's most efficient airline—to execute a consistent, reliable operation with an uncompromising commitment to Safety and compliance. Efficiency has been a hallmark of our success through the decades and is a timeless theme that is part of our DNA.

Our updated Values are more clear, tangible, and actionable for our Employees. Members of the Southwest Family were mindful when making this update to capture the attitude of Southwest. Today, more than ever, our Values speak to the Heart of who we are and how we treat each other.

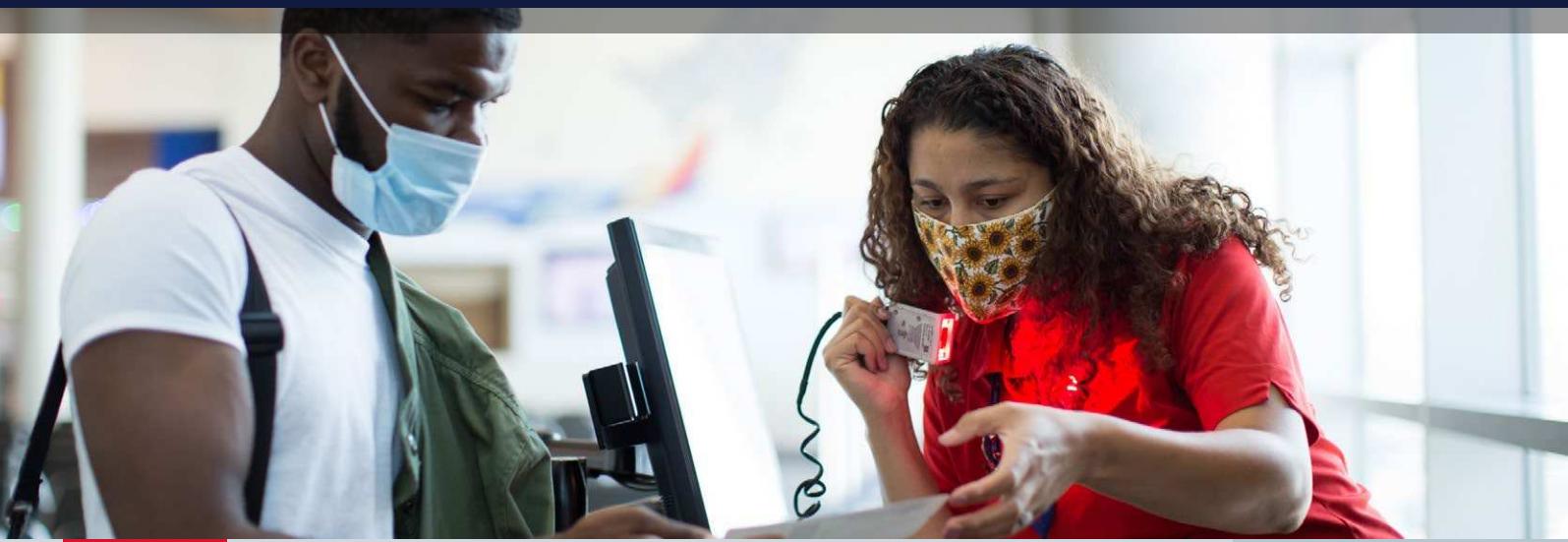
Our Culture is not easily emulated by our competitors—it's what makes Southwest unique—the power of a smile; someone going the extra mile for a Coheart or Customer.

There's never been a more important time in our history to focus on who we are, what we believe, and how we behave. Our Values keep us true to our core while enabling us to scale for the future.

GRI Index
102-16

Values

Me How I Show Up	We How We Treat Each Other	Southwest How Southwest Succeeds
Pride Have a strong work ethic, take initiative, and be accountable <ul style="list-style-type: none"> • We are dependable and engaged • We put our Hearts into our work • We do not blame others 	Teamwork Practice civility, embrace Team over self, and be inclusive <ul style="list-style-type: none"> • We assume positive intent • We appreciate the strengths of our Cohearts • We avoid tribalism 	Efficiency Don't make the easy hard, keep costs low, and stay agile <ul style="list-style-type: none"> • We embrace simplicity • We look for ways to improve • We are flexible and open to change
Integrity Act like an owner, choose to do right, and be courageous <ul style="list-style-type: none"> • We do not walk past problems • We spend Company money wisely • We do not sacrifice our integrity for results 	Honesty Speak up, be transparent, and tell the truth <ul style="list-style-type: none"> • We handle issues proactively • We seek the truth and do not gossip • We are straightforward and sincere 	Discipline Be safe, focused, and reliable <ul style="list-style-type: none"> • We comply with policies, procedures, and regulations • We consistently produce high-quality work • We do not get distracted from our work
Humility Don't take yourself too seriously, keep perspective, and don't be a jerk <ul style="list-style-type: none"> • We keep our egos in check • We understand it's not all about us • We bring a sense of fun to hard work 	Service with LUV Practice Hospitality, live by The Golden Rule, and don't be rude <ul style="list-style-type: none"> • We make others feel welcomed, cared for, and appreciated • We treat our Customers with respect • We embrace and support our communities 	Excellence Get results, win the right way, and kick tail <ul style="list-style-type: none"> • We do our best every day • We are not complacent • We know what it takes to win



KEY TOPIC

Customers

At Southwest, we take a different approach to Customer Service compared with most companies. We view each Customer as a valued, unique individual—and when you're serving real People with varying needs and wants, a one-size-fits-all approach just doesn't work. We strive to always serve our Customers from the Heart, with respect, compassion, and Southwest Hospitality. And as we look into the future, we believe our approach will help us continue to enact our Vision: to be the world's most loved, most efficient, and most profitable airline.¹³

STORIES

[Southwest Promise](#)



Southwest Promise

The onset of the COVID-19 pandemic created many challenges for industries all over the world, including airlines. Like so many other companies, Southwest quickly pivoted in 2020 and adjusted parts of our business in order to respond to the pandemic.

Beginning in March 2020, we made multiple changes to our policies and operations to better support the comfort and peace of mind for our Employees and Customers: a commitment we referred to as the Southwest Promise.

As part of the Southwest Promise, we employed various procedures throughout the travel journey to respond to the pandemic, including cleaning practices such as using electrostatic and anti-microbial spray treatments in the cabin, physical distancing measures, modified boarding procedures, and face-covering requirements for Employees and Customers. The Southwest Team continues to evaluate its policies and procedures.

We hope all of our Customers feel that when they are ready to travel again, we're ready to welcome them onboard with actions that support their well-being. Here is a closer look at the policies and procedures that we implemented over the course of the pandemic in 2020:

Cleaning around the clock

- Both an electrostatic disinfectant and an anti-microbial spray applied on every interior surface of the aircraft, killing viruses on contact and forming an anti-microbial coating or shield for 30 days

UN SDG Alignment



GRI Index

403-1
403-2
403-3
403-4
416-1

SASB Index

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- Sani-Cide EX3, a broad-spectrum disinfectant, used to clean onboard lavatories and tray tables before every flight
- Deep clean each aircraft interior from nose to tail for approximately six to seven labor hours every night
- Every aircraft is equipped with a sophisticated air distribution system that introduces fresh, outdoor air and HEPA (high-efficiency particulate air) filtered air into the cabin while inflight, resulting in exchange of cabin air every two to three minutes. We use HEPA filters onboard that remove 99.97%¹⁴ of airborne particles—similar to the technology found in hospitals
- Hand sanitizer available at the check-in kiosks, ticket counters, and gates; wipes available for Customers onboard
- We cleaned the ticket counters, gates, and baggage claim areas multiple times a day

Helping everyone keep their distance

- We posted airport signage and floor markers to encourage physical distancing in gate areas
- Boarding
 - We boarded in smaller groups on only one side of the boarding stanchions to allow for physical distancing
 - Family boarding did not change, but we encouraged families to respect the personal space of others during boarding
- Acrylic glass was installed at ticketing and gate counters and baggage service offices



Equipping Employees and Customers

- Our Employees and Customers were required to wear face coverings that fit snugly over the face, cover the nose and mouth, and secure under the chin
- We provided Passengers with sanitizing wipes

Consulting the experts

We continue to evaluate our policies and procedures based on public health guidance, scientific research, and advice from medical and aviation organizations, such as:

- Harvard's T.H. Chan School of Public Health
- UT Southwestern Medical Center
- Stanford University School of Medicine
- U.S. Centers for Disease Control and Prevention (CDC)
- The International Air Transport Association (IATA)
- The Boeing Company
- U.S. Department of Defense's U.S. Transportation Command
- Medical professionals and infectious disease experts who we retained to advise us during the pandemic





KEY TOPIC

Communities

Our focus on communities is a natural extension of Southwest's People-centric approach to citizenship. We seek to connect People to what's important in their lives—and the communities where we live, work, and play are an essential part of what brings us together. We believe that cooperation can advance our impact, so we partner with like-minded people and organizations to promote resilience, civility, and peace in our communities.

STORIES

[Community Outreach during COVID-19](#) >

[Community Outreach Initiatives in Our Communities](#) >

Community Outreach during COVID-19

For nearly 50 years, Southwest has connected People and championed communities. We marshal our resources to help the communities thrive where our Employees and Customers live and work. As the airline with Heart, we do this by investing our time, creativity, and resources.

In 2020, the COVID-19 pandemic provided us with new opportunities to serve People when they needed it most. Despite challenges to our business posed by the pandemic, the Southwest Family rallied to find a variety of ways to serve those impacted. Through our cumulative efforts to put our Heart in action, Southwest provided more than \$3 million in support to help those affected by the pandemic.

UN SDG Alignment



GRI Index

413-1



Helping Our Healthcare Heroes

Our crisis response efforts in 2020 included donating Southwest flights and cargo services for healthcare workers and their supplies. We provided more than 650 complimentary flights, valued at over \$130,000, for medical personnel to assist in highly impacted areas such as California, Illinois, Hawaii, New York, and the Navajo Nation in Arizona.

As one example, during the summer we partnered with the Hawaii Emergency Management Agency to provide transportation for 198 courageous medical professionals who traveled to Hawaii to relieve local hospital employees. This relief effort was an important component of the state's COVID-19 response plan and helped hospitals continue to provide high-quality care to patients.

In true Southwest fashion, our Employees didn't disappoint by welcoming and honoring these heroes. Our Teams at Oakland International Airport (OAK) and Daniel K. Inouye (HNL) created a unique gate experience for the medical professionals as they boarded and landed.

We also donated our cargo services to humanitarian relief organizations by shipping personal protective equipment (PPE), ventilators, and other life-saving medical devices across the country.

Sharing Heart and Snacks

While our community support often comes in the form of complimentary flights, last year we also donated food products traditionally used during our inflight snack and beverage service.

With food shortages in many parts of the United States, we identified a unique opportunity to donate unused products from our normal inflight snack and beverage service. In July, we provided nearly 13 tractor-trailers full of product (valued at more than \$655,000) to 15 food banks nationwide that are a part of the Feeding America network. In addition to food banks, the donated products supported hospitals, homeless shelters, senior centers, and children's feeding programs—putting food directly into the hands of those who needed it most, including frontline volunteers. These donations continued throughout the year, reaching additional people who needed the support.

Assisting Our Community Partners

To meet the needs of the diverse communities we serve, we have longstanding relationships with community outreach Partners throughout the country. In May, we asked our Customers for help by supporting three Southwest community partners working to build resilient communities in the face of COVID-19—Feeding America, American Red Cross, and Team Rubicon. We initiated a giving campaign that allowed Customers to support these partners through direct financial contributions—and any Customer who donated at least \$25 was offered 10x the Rapid Rewards® points for each dollar given. Through this campaign, our Customers helped us raise more than \$650,000 to support organizations that provide vital services for those impacted by COVID-19.



"At a time when the world was reeling from the effects caused by the COVID-19 pandemic, and the state of Hawaii was coping with the strain on our healthcare systems, Southwest's efforts bringing medical surge staffing was crucial in saving lives and mitigating the spread of the virus throughout our population."

—Luke Meyers, Hawai'i Emergency Management Agency (HI-EMA) Administrator



2020 also marked what would have been the 35th Southwest Airlines LUV Classic Golf Tournament and Party. While we missed the traditional party in 2020, we celebrated in a unique way by donating a total of \$1 million to 101 local charities focused on serving children, their families, and communities, and providing relief from COVID-19 impacts. This donation was timely and helped these organizations continue their missions.

Supporting Our Students

In 1997, Southwest launched our award-winning Adopt-A-Pilot program, which gives classrooms an opportunity to “adopt” a Southwest Pilot. Over the years, Southwest Pilots have touched the lives of more than 632,000 students, bringing aviation-themed curriculum to thousands of classrooms around the country.

In 2020, we adapted the program to help teachers and parents. Virtual learning can be challenging for everyone involved, and we wanted to help teachers and parents get away from the usual curriculum. Since Pilots were unable to visit classrooms, we brought the Adopt-A-Pilot program to viewers through a series of videos and lessons, allowing teachers and parents to supplement their virtual learning curriculum with STEM-centered content. These activities and experiments are taught by Pilots and designed to show teachers and parents various ways to engage the curiosity of fifth-grade students (teachers and parents may be able to adjust this education programming to engage other age groups). To access the curriculum, please visit [Our Community Curriculum](#).

We remain dedicated to serving our communities in unique ways that are true to Southwest. We recognize there's more work to be done as we respond to and recover from the pandemic, but together, we can continue caring for our neighbors in need. Because at Southwest, we believe community is more than a place—it's at the Heart of what brings us together.



“Today and every day, we believe a strong community is more than a place, it's at the Heart of what brings us together. We remain steadfast in our commitment to give back to the communities we serve, especially in a time of need.”

—Laurie Barnett, Managing Director of Communications and Outreach

In 2020, we donated a total of \$1 million to 101 local charities focused on serving children, their families, and communities, and providing relief from COVID-19 impacts.



Community Outreach Initiatives in Our Communities

For more than two decades, Southwest's Community Outreach efforts have centered on developing and nurturing authentic relationships around our network with organizations committed to building resilient communities. We believe in championing causes that matter most because we are more than an airline, we are your neighbor. And it's important to us that our contributions mirror the diverse communities we serve. With the increased dialogue around racial injustice, we have been able to lean on longstanding relationships with several organizations to help us as we listen, learn, and act.

Southwest has proudly supported the National Urban League and 100 Black Men of America in their efforts to promote education, mentorship, and leadership development as they lift up Black communities all across the country. In June, Southwest donated \$500,000 through the Southwest Airlines Foundation (a corporate-advised fund within the Silicon Valley Community Foundation) to these important organizations.¹⁵

Our donation will be used to support long-term, sustainable change through national strategies and local initiatives centered on their impactful programs. Both organizations conduct crucial work that help create a catalyst for change and encourage Black men and women to realize their highest potential. Our donation was in addition to our continued local contributions. We also established a separate donation page to provide an avenue for our Customers and Employees to offer additional support to these two organizations.

UN SDG Alignment



GRI Index
413-1

We believe in championing causes that matter most because we are more than an airline, we are your neighbor.

As our Chairman and CEO Gary Kelly recently shared, "We stand alongside our Black, Asian American, and Pacific Islander Employees, Customers, and communities whose voices will no longer be silenced. There is plenty of work to be done, but we are committed to doing our part to drive change."

People Data Table

	2020	2019	2018	2017	2016
Employees					
Active, full-time equivalent Employees at year-end ¹⁶	56,537	60,767	58,803	56,110	53,536
Employees By Gender					
Active, full-time equivalent Employees at year-end, by gender ¹⁷	58 % Male 42 % Female	57 % Male 43 % Female	57 % Male 43 % Female	58 % Male 42 % Female	57 % Male 43 % Female
New Hires during the reporting period, by age and gender: under 30 years old	215 Male 133 Female	1,093 Male 787 Female	1,450 Male 1,038 Female	1,223 Male 940 Female	Not Reported
New Hires during the reporting period, by age and gender: 30-50 years old	254 Male 235 Female	1,530 Male 1,014 Female	1,871 Male 1,092 Female	1,831 Male 996 Female	Not Reported
New Hires during the reporting period, by age and gender: over 50 years old	67 Male 73 Female	379 Male 422 Female	444 Male 439 Female	405 Male 448 Female	Not Reported
Employees By Ethnicity/Race¹⁸					
American Indian or Alaska Native	0.7 %	Not Reported	Not Reported	Not Reported	Not Reported
Asian	3.9 %	Not Reported	Not Reported	Not Reported	Not Reported
Black or African American	16.3 %	Not Reported	Not Reported	Not Reported	Not Reported
Hispanic or Latino	14.8 %	Not Reported	Not Reported	Not Reported	Not Reported
Native Hawaiian or Other Pacific Islander	1.5 %	Not Reported	Not Reported	Not Reported	Not Reported
Two or More Races	2.6 %	Not Reported	Not Reported	Not Reported	Not Reported
White	60.2 %	Not Reported	Not Reported	Not Reported	Not Reported
Employees By Division¹⁹					
Flight	24,568 44 %	25,864 43 %	24,924 42 %	23,561 42 %	22,133 41 %
Maintenance	3,012 5 %	3,233 5 %	3,021 5 %	2,960 5 %	2,951 6 %
Ground, Customer, and Fleet Services	19,457 34 %	21,013 35 %	20,800 36 %	20,175 36 %	19,497 36 %
Administrative (Technology, Management, Finance, Marketing, Clerical Personnel)	9,500 17 %	10,657 17 %	10,058 17 %	9,414 17 %	8,955 17 %
Benefits					
Active and inactive Employees who participate in benefits program	More than 59,700	More than 64,800	More than 62,800	More than 59,800	More than 56,300
Employee benefit programs excluding 401(k) and ProfitSharing Plans and share-based compensation (accrued) ²⁰	More than \$ 1.3 billion	More than \$ 1.3 billion	More than \$ 1.2 billion	More than \$ 1.1 billion	More than \$ 1.0 billion
401(k) savings plan participation	92 %	91 %	91 %	91 %	92 %
ProfitSharing Plan participation	All eligible Employees				
Company contributions to 401(k) and ProfitSharing Plans	\$ 561 million	\$ 1.2 billion	\$ 1.0 billion	\$ 1.0 billion	\$ 937 million

People Data Table

	2020	2019	2018	2017	2016
Training					
Pilot hours	252,030	482,473	543,360	582,535	457,563
Flight Attendant hours	263,811	427,705	442,807	354,942	443,295
Maintenance hours	185,148	165,630	166,324	140,068	147,312
Customer Support and Services hours	63,841	134,783	181,670	255,106	175,447
Ground Operations hours	507,164	887,627	737,256	740,285	730,088
Safety and Security hours (all Employees)	More than 320,000	More than 780,000	More than 820,000	More than 660,000	More than 811,000
Customers					
External Customer commendations	More than 34,000	More than 88,000	More than 96,000	More than 107,000	More than 105,000
Ratio of External Customer commendations to personnel complaints	3:1	3:1	3:1	4:1	3:1
American Customer Satisfaction Index (ACSI)	79	79	80	80	80
U.S. Department of Transportation (DOT) Customer Satisfaction rating (consumer complaints per 100,000 enplanements) ²¹	2.64	0.33	0.36	0.47	0.47
Percentage of reported flight operations arriving ontime	86.0	80.2	79.2	78.7	80.8
Number of mishandled bags reported per 1,000 enplaned bags	2.68	4.40	4.68	4.50	Not Reported
Passengers denied boarding per 10,000 Passengers	0.06	0.19	0.15	0.53	0.99
Communities					
Donation requests received Companywide	5,872	18,456	17,243	17,032	15,237
Tickets donated	20,008	45,301	50,060	50,586	53,291
Total monetary donations	\$ 707,672	\$ 5,843,946	\$ 4,581,579	\$ 13,390,938	\$ 3,280,307
Total corporate monetary, in-kind, and ticket donations	\$ 10,190,071	\$ 24,306,076	\$ 25,235,753	\$ 37,043,294	\$ 25,324,794
Monies raised through official Southwest fundraising efforts	\$ 1,300,000	\$ 800,000	\$ 950,000	\$ 500,000	\$ 675,000
Employee volunteer hours	Nearly 75,000	More than 200,000	Nearly 190,000	More than 180,000	Nearly 150,000
Value of Employee volunteer hours ²²	More than \$ 2,000,000	More than \$ 5,800,000	More than \$ 4,800,000	More than \$ 4,300,000	More than \$ 3,500,000
Social Management Approach					
Employees represented by unions	Approximately 83 %				
Employee human rights training hours	More than 61,000	More than 53,500	More than 44,000	More than 39,000	More than 51,000
Employees trained on human rights	56.2 %	48.9 %	43.9 %	40.4 %	44.4 %
Employees and business associates who acknowledged the Code of Ethics	More than 63,000	More than 64,000	More than 64,000	More than 63,000	More than 59,000



Financial Preparedness —Our Enduring Strength

We achieved our 47th consecutive year of profitability in 2019—a record unmatched in U.S. aviation history. By managing in the good times to be prepared for the bad times, we entered the COVID-19 pandemic prepared with the U.S. airline industry's strongest balance sheet and most successful business model. We have a robust network of point-to-point service, with a strong presence across top leisure and business markets. While the impact of the COVID-19 pandemic presented an unprecedented challenge, we believe that we are well-positioned to effectively manage through the challenging environment and thrive post-pandemic.



#1 in Customer Satisfaction

Maintained #1 Marketing Carrier in Customer Satisfaction per the U.S. Department of Transportation (DOT) data²³



Global Distribution System

Launched global distribution system (GDS) access for business travelers through partnerships with Travelport and Amadeus; entered into an agreement with Sabre



New Destinations

Strengthened route network with launch of service to six new destinations in 2020, and have, as of April 27, 2021, opened or announced our intention to serve an additional 13 airports in 2021²⁴

Economic Performance p30

Growing Our Robust Network p36

Performance Data Table p39

**KEY TOPIC**

Economic Performance

The COVID-19 pandemic had a significant year-over-year negative impact on travel demand and bookings in 2020, resulting in our first annual net loss since 1972. We remain focused on emerging from this pandemic with the U.S. airline industry's strongest balance sheet and business model to thrive post-pandemic.

STORIES

[2020 Financial Results](#) >[Reporting on Business Performance](#) >[Ten-Year Summary](#) >

2020 Financial Results

We entered 2020 positioned for a strong year. We were well-prepared with significant financial strength, and we started the year strong with solid net income growth, year-over-year, in January and February 2020, combined. We also began 2020 with outstanding operational performance, exceptional ontime performance, the highest level of baggage reliability in our history, and industry-leading Customer Service.²⁵

In late February 2020, we began to experience a precipitous drop in travel demand and bookings due to the COVID-19 pandemic. The situation escalated dramatically, and by mid-March 2020, trip cancellations began to exceed new bookings. We experienced our largest monthly decline in operating revenues in April 2020, down 92%, year-over-year, when the pandemic spread and shelter-in-place orders and similar restrictions were implemented throughout the country.

We took swift action to address the unprecedented decline in travel and revenue by significantly reducing available seat miles (ASMs, or capacity)²⁶, costs, and cash spending. Annual 2020

capacity decreased approximately 34%, year-over-year. We suspended substantially all hiring; canceled or deferred hundreds of capital spending projects; modified vendor and supplier payment terms; and aggressively evaluated all non-essential spending. We implemented voluntary separation and extended leave programs to better align staffing levels and overhead costs to reduced flight schedules. Approximately 15,000 Southwest Warriors, or 25% of our workforce, participated in one of these voluntary programs, which reduced our annual 2020 salaries, wages, and benefits expense by approximately \$565 million. In total, we reduced annual 2020 cash outlays by approximately \$8 billion, compared with original plans.



UN SDG Alignment
201-1
201-4

We quickly bolstered liquidity, raising approximately \$18.9 billion in capital, net of transaction fees, in 2020, including \$13.4 billion in debt issuances and sale-leaseback transactions, \$2.2 billion through a common stock offering, and \$3.4 billion of Payroll Support Program (PSP) proceeds under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). We ended 2020 with total liquidity of \$14.3 billion, consisting of cash and short-term investments of \$13.3 billion and a fully available secured revolving credit facility of \$1 billion. As of Dec. 31, 2020, our unencumbered assets were worth approximately \$12 billion, including \$10 billion in aircraft and \$2 billion in non-aircraft assets such as spare engines, ground equipment, and real estate. In addition, we have significant value from our Rapid Rewards® loyalty program.

One key milestone in 2020 was the launch of our global distribution system (GDS) initiative. We are now at industry-standard processes with Amadeus' GDS platform and Travelport's GDS platforms: Apollo, Worldspan, and Galileo, allowing corporate travel managers the ability to book, change, cancel, and modify reservations. This industry-standard process enables the Airline Reporting Corporation to handle the reporting and settlement of tickets booked through the GDS platforms. In December 2020, we reached a full-participation GDS agreement with Sabre, planned to launch in 2021. The enhancement of our GDS channel strategy complements our expansion of direct

connect via Airline Tariff Publishing Company's (ATPCO) New Distribution Capability (NDC) Exchange and existing SWABIZ options, with the goal of distributing our everyday low fares to more corporate travelers through their preferred channel.

Our Founder and Chairman Emeritus, Herb Kelleher, always reminded us: we manage in good times, so that all of us will be protected from bad times; that is why keeping costs low and spirits high at all times is so very important. By living Herb's basic credo, we came into 2020 well-prepared with the U.S. airline industry's strongest balance sheet and most successful business model—with low costs that enabled low fares across a robust network of point-to-point service and a strong presence in top leisure and business markets. Even with our preparedness and swift response to the pandemic in 2020, we are not standing still. In addition to launching our participation in GDS, we are aggressively pursuing new revenue streams by adding new airports to our route network. We remain steadfast in managing costs and cash spending, and we are focused on maintaining significant liquidity. Our primary financial goals for 2021 are to preserve the strength of our balance sheet and investment-grade credit rating; arrest cash operating losses; and achieve and sustain break-even or better cash flow and earnings as the airline business recovers. The pandemic persists and travel demand remains depressed, but we celebrate our 50th year of service in 2021 with renewed hope and optimism about the future of Southwest.²⁷

Our Founder and Chairman Emeritus, Herb Kelleher, always reminded us: we manage in good times, so that all of us will be protected from bad times; that is why keeping costs low and spirits high at all times is so very important.





Reporting on Business Performance

Southwest's Annual Report to Shareholders includes an opening letter to Shareholders from Gary Kelly, Chairman of the Board and Chief Executive Officer, and provides an overview of our business and financial performance in 2020. The Annual Report also includes a discussion of our business, risks, Management's Discussion and Analysis of Southwest's Financial Condition and Results of Operations, and audited financial statements.

UN SDG Alignment



GRI Index
102-2
102-5
102-6
102-7
102-10
201-2
201-3
201-4

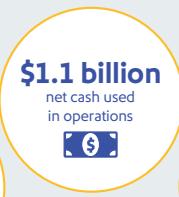
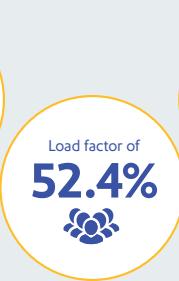
Read our 2020 Annual Report [here](#).

Southwest's Proxy Statement is provided to Shareholders in advance of the Annual Meeting of Shareholders. It contains Shareholder proposals as well as Executive compensation information.

View the complete 2021 Proxy Statement [here](#).

The COVID-19 pandemic had a devastating impact on our 2020 financial performance, but we remain laser-focused on managing through this challenging time, and we intend to thrive post-pandemic.²⁸

Our 2020 Performance: At a Glance





Ten-Year Summary

Our 10-Year Summary shows consecutive years of profitability prior to the COVID-19 pandemic. In the decade leading up to 2020, we significantly increased our cities served, further strengthening our robust network of point-to-point service. We increased our capacity and fleet, introduced near-international service, and added thousands of Employees to our Southwest Family. We worked diligently to grow earnings per share and returns to Shareholders. The pandemic had a devastating impact on our 2020 financial performance, but we remain laser-focused on managing through this challenging time, and we intend to thrive post-pandemic.³³

UN SDG
Alignment



GRI Index
201-1

Ten-Year Summary

(Dollars in millions except per share amounts, unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Selected Consolidated Financial Data										
Operating revenues:										
Passenger	\$ 7,665	\$ 20,776	\$ 20,455	\$ 19,763	\$ 19,068	\$ 18,299	\$ 17,658	\$ 16,721	\$ 16,093	\$ 14,754
Freight	161	172	175	173	171	179	175	164	160	139
Special revenue adjustment	-	-	-	-	-	172	-	-	-	-
Other	1,222	1,480	1,335	1,210	1,050	1,170	772	814	835	765
Total operating revenues	9,048	22,428	21,965	21,146	20,289	19,820	18,605	17,699	17,088	15,658
Operating expenses	12,864	19,471	18,759	17,739	16,767	15,821	16,437	16,478	16,502	15,074
Operating income (loss)	(3,816)	2,957	3,206	3,407	3,522	3,999	2,168	1,221	586	584
Other expenses (income), net	440	-	42	142	72	520	352	12	(99)	261
Income (loss) before income taxes	(4,256)	2,957	3,164	3,265	3,450	3,479	1,816	1,209	685	323
Provision (benefit) for income taxes	(1,182)	657	699	(92)	1,267	1,298	680	455	264	145
Net income (loss)	\$ (3,074)	\$ 2,300	\$ 2,465	\$ 3,357	\$ 2,183	\$ 2,181	\$ 1,136	\$ 754	\$ 421	\$ 178
Net income (loss) per share, basic	\$ (5.44)	\$ 4.28	\$ 4.30	\$ 5.58	\$ 3.48	\$ 3.30	\$ 1.65	\$ 1.06	\$ 0.56	\$ 0.23
Net income (loss) per share, diluted	\$ (5.44)	\$ 4.27	\$ 4.29	\$ 5.57	\$ 3.45	\$ 3.27	\$ 1.64	\$ 1.05	\$ 0.56	\$ 0.23
Cash dividends per common share	\$ 0.1800	\$ 0.7000	\$ 0.6050	\$ 0.4750	\$ 0.3750	\$ 0.2850	\$ 0.2200	\$ 0.1300	\$ 0.0345	\$ 0.0180
Total assets at period-end	\$ 34,588	\$ 25,895	\$ 26,243	\$ 25,110	\$ 23,286	\$ 21,312	\$ 19,723	\$ 19,177	\$ 18,350	\$ 17,805
Long-term obligations at period-end	\$ 10,111	\$ 1,846	\$ 2,771	\$ 3,320	\$ 2,821	\$ 2,541	\$ 2,434	\$ 2,191	\$ 2,883	\$ 3,107
Stockholders' equity at period-end	\$ 8,876	\$ 9,832	\$ 9,853	\$ 9,641	\$ 7,784	\$ 7,358	\$ 6,775	\$ 7,336	\$ 6,992	\$ 6,877

Ten-Year Summary

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Consolidated Financial Ratios										
Return on average total assets	(10.2) %	8.8 %	9.6 %	13.9 %	9.8 %	10.6 %	5.8 %	4.0 %	2.3 %	1.1 %
Operating margin	(42.2) %	13.2 %	14.6 %	16.1 %	17.4 %	20.2 %	11.7 %	6.9 %	3.4 %	3.7 %
Net margin	(34.0) %	10.3 %	11.2 %	15.9 %	10.8 %	11.0 %	6.1 %	4.3 %	2.5 %	1.1 %
Enplaned passengers (000s)	67,785	162,681	163,606	157,677	151,740	144,575	135,767	133,155	133,978	127,551
RPMs (in millions)³⁴	54,221	131,345	133,322	129,041	124,798	117,500	108,035	104,348	102,875	97,583
ASMs (in millions)³⁵	103,456	157,254	159,795	153,811	148,522	140,501	131,004	130,344	128,137	120,579
Passenger load factor³⁶	52.4 %	83.5 %	83.4 %	83.9 %	84.0 %	83.6 %	82.5 %	80.1 %	80.3 %	80.9 %
Average length of passenger haul (miles)	1,002	980	988	991	1,001	994	978	966	941	939
Average stage length (miles)³⁷	743	748	757	754	760	750	721	703	693	679
Aircraft utilization (hours and minutes per day)	8:52	11:10	11:10	11:11	11:08	11:13	10:54	10:45	10:55	11:10
Trips flown	897,540	1,367,727	1,375,030	1,347,893	1,311,149	1,267,358	1,255,502	1,312,785	1,361,558	1,317,977
Average passenger fare³⁸	\$ 141.72	\$ 154.98	\$ 151.64	\$ 151.73	\$ 152.89	\$ 154.85	\$ 159.80	\$ 154.72	\$ 147.17	\$ 141.90
Passenger revenue yield per RPM³⁹	14.14 ¢	15.82 ¢	15.34 ¢	15.32 ¢	15.28 ¢	15.57 ¢	16.34 ¢	16.02 ¢	15.64 ¢	15.12 ¢
Operating revenue yield per ASM⁴⁰	8.75 ¢	14.26 ¢	13.75 ¢	13.75 ¢	13.66 ¢	13.98 ¢	14.20 ¢	13.58 ¢	13.34 ¢	12.99 ¢
Operating expenses per ASM⁴¹	12.43 ¢	12.38 ¢	11.74 ¢	11.53 ¢	11.29 ¢	11.26 ¢	12.55 ¢	12.64 ¢	12.88 ¢	12.50 ¢
Operating expenses per ASM, excluding fuel	10.65 ¢	9.62 ¢	8.85 ¢	8.88 ¢	8.73 ¢	8.60 ¢	8.46 ¢	8.17 ¢	8.07 ¢	7.73 ¢
Fuel cost per gallon, including tax	\$ 1.45	\$ 2.09	\$ 2.20	\$ 1.99	\$ 1.90	\$ 1.96	\$ 2.97	\$ 3.19	\$ 3.32	\$ 3.25
Fuel consumed, in gallons (millions)	1,273	2,077	2,094	2,045	1,996	1,901	1,801	1,818	1,847	1,764
Active, full-time equivalent Employees at year-end⁴²	56,537	60,767	58,803	56,110	53,536	49,583	46,278	44,831	45,861	45,392
Aircraft at year-end⁴³	718	747	750	706	723	704	665	681	694	698
Average age of fleet (years)	12	12	11	11	12	12	12	11	11	11



KEY TOPIC

Growing Our Robust Network

During 2020, we launched service to six new destinations and have, as of April 27, 2021, opened or announced our intention to serve an additional 13 airports in 2021. We are utilizing idle aircraft and Employees, leveraging additional airports in or near cities where our Customer base is large, and adding easier access to popular leisure-oriented destinations from across our domestic-focused, point-to-point network.

Expanding Our Network

Southwest offers friendly, reliable, and low-cost air travel. Southwest is the leader in 23 of the top 50 U.S. metro areas,^{44,45} serving all of the top 100 domestic origin and destination pairs, including co-terminal airports.^{46,47}

With a point-to-point network allowing for more direct routing, approximately 72% of our Customers flew nonstop during 2020 compared with approximately 77% in 2019, with the year-over-year decrease due to less capacity and nonstop flights in 2020, all due to the pandemic. As of Dec. 31, 2020, we served 667 nonstop city pairs, compared with 720 as of Dec. 31, 2019, the most of any domestic airline in both years.⁴⁸

We were excited to add new airports to our route map during 2020, by launching service to six new destinations: Hilo, Hawaii; Cozumel, Mexico; Miami, Fla.; Palm Springs, Calif.; Steamboat Springs, Colo.; and Montrose (Telluride and Crested Butte), Colo. We also have, as of April 27, 2021, opened or announced our intention to commence service in 2021 to 13 additional airports: Chicago O'Hare International Airport; Sarasota Bradenton

International Airport; Colorado Springs Municipal Airport; Savannah/Hilton Head International Airport; Houston's George Bush Intercontinental Airport; Jackson-Medgar Wiley Evers International Airport in Miss.; Santa Barbara Airport in Calif.; Fresno Yosemite International Airport in Calif.; Destin-Fort Walton Beach Airport in Fla.; Myrtle Beach International Airport in S.C.; Bozeman Yellowstone International Airport in Mont.; Eugene Airport in Ore.; and Bellingham International Airport in Wash. As we manage through the pandemic, we are pursuing additional revenue opportunities that utilize idle aircraft and Employees to provide Southwest's Legendary Customer Service to new, popular destinations. We are leveraging additional airports in or near cities where our Customer base is large, along with adding easier access to popular leisure-oriented destinations from across our domestic-focused, point-to-point network.⁴⁹

STORIES

[Expanding Our Network](#) >

[Our Fleet](#) >

GRI Index

102-6

102-7

201-1

203-2

System Map



● In 2020, Southwest added service to Miami, Palm Springs, Telluride, Steamboat Springs, Hilo, and Cozumel.

● In 2020, service to these airports were announced to launch in 2021.

i Service to Chicago (O'Hare) and Sarasota/Bradenton began on Feb. 14, 2021.

ii Service to Savannah, Georgia and Colorado Springs began on March 11, 2021.

iii Service to Houston (Intercontinental) and Santa Barbara began on April 12, 2021.

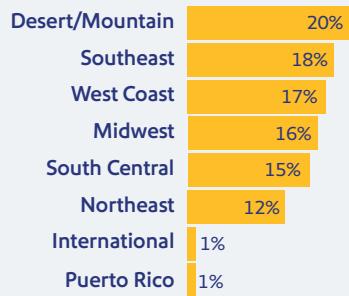
iv Service to Fresno began on Apr. 25, 2021.

v Southwest has announced an intention to add service in Jackson and Eugene on June 6, 2021.

vi Service remained temporarily suspended as of Dec. 31, 2020, due to the COVID-19 pandemic.

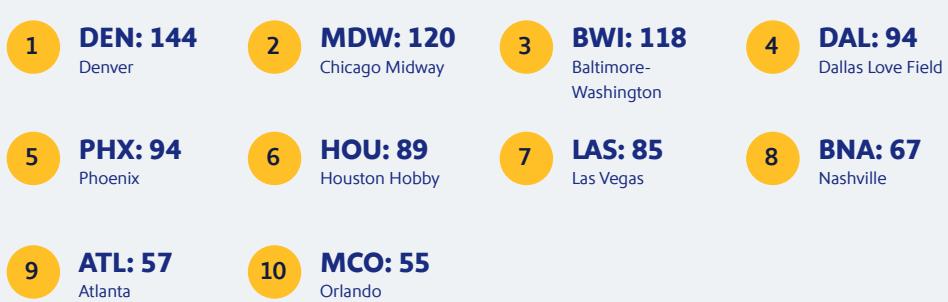
Capacity by Region

(as of Dec. 31, 2020)



Top 10 Airports

(daily departures on December 14, 2020)





Our Fleet

We ended the year with 718 Boeing 737 aircraft in our fleet, the largest Boeing fleet in the world.⁵⁰

GRI Index
102-7

On March 13, 2019, the Federal Aviation Administration (FAA) issued an emergency order for all U.S. airlines to ground all Boeing 737 MAX (MAX) aircraft. On Nov. 18, 2020, the FAA issued official requirements to enable airlines to return the MAX to service. We satisfied applicable FAA requirements by modifying certain operating procedures, implementing enhanced Pilot training requirements, installing FAA-approved flight control software updates, and completing other required maintenance tasks specific to the MAX aircraft prior to returning the MAX to revenue service on March 11, 2021.

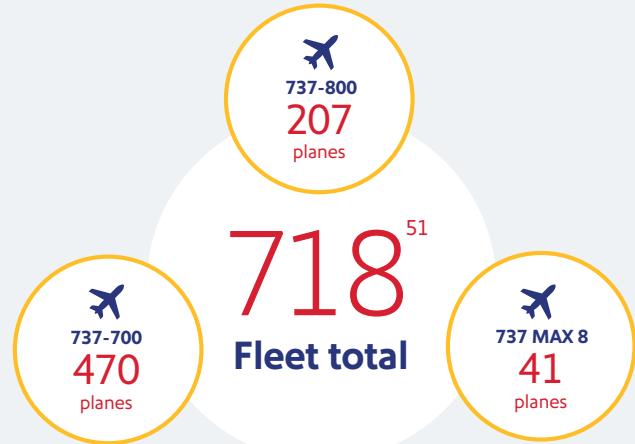
Our top priority is, and always will be, the Safety of our Employees and Customers. Our Southwest Flight Operations Leadership Team has reviewed and expressed confidence in the MAX software and training updates. Additionally, aviation regulators from countries around the world have reviewed the changes to the aircraft and the FAA's new requirements.

At Southwest, we only operate Boeing 737 aircraft, and our Pilots are highly trained and experienced at flying the aircraft. Before the MAX was grounded, Southwest Pilots flew almost 40,000 flights on the aircraft, which represents more than 89,000 flight hours. Prior to returning the MAX to revenue service, active Southwest Pilots completed additional FAA-required flight training in one of our nine 737 MAX 8 simulators and completed additional FAA-required computer-based training covering MAX procedures. We also required active Pilots to retake our original 737 MAX 8 computer-based differences training as a refresher to complement the FAA-required training. Additionally, we conducted more than 200 readiness flights on our MAX fleet and completed the software updates and thousands of hours of work and inspections before any of our Customers once again boarded a Southwest 737 MAX 8.

After completing each of these important milestones, we were thrilled to return the MAX to revenue service on March 11, 2021. We remain confident in the MAX, and it is our growth aircraft for the future. As compared with the prior generation of 737 aircraft, the MAX provides increased range, the Boeing Sky Interior (similar to the 737-800s), improved flight deck capabilities, a quieter engine, and is approximately 14% more fuel-efficient.⁵²

Southwest recently restructured our delivery schedule for MAX aircraft with The Boeing Company, including the selection of the 737 MAX 7 aircraft as the successor aircraft to its 737-700 model. Southwest added 100 firm orders for 737 MAX 7 aircraft, in addition to adding 155 MAX options through 2031. This agreement underscore's Southwest's commitment to continued modernization of our fleet with more fuel-efficient and climate-friendly aircraft.

Fleet Composition



Performance Data Table

Consolidated Highlights

(Dollars in millions except per share amounts, unaudited)

Year ended Dec. 31,	2020	2019	Change
Operating revenues	\$ 9,048	\$ 22,428	(59.7) %
Operating expenses	\$ 12,864	\$ 19,471	(33.9) %
Operating income (loss)	\$ (3,816)	\$ 2,957	n.m.
Operating margin	(42.2) %	13.2 %	(55.4) pts.
Net income (loss)	\$ (3,074)	\$ 2,300	n.m.
Net margin	(34.0) %	10.3 %	(44.3) pts.
Net income (loss) per share - basic	\$ (5.44)	\$ 4.28	n.m.
Net income (loss) per share - diluted	\$ (5.44)	\$ 4.27	n.m.
Stockholders' equity	\$ 8,876	\$ 9,832	(9.7) %
Stockholders' equity per common share outstanding	\$ 15.03	\$ 18.94	(20.6) %
Revenue passengers carried (000s)	54,088	134,056	(59.7) %
Revenue passenger miles (RPMs) (in millions) ⁵³	54,221	131,345	(58.7) %
Available seat miles (ASMs) (in millions) ⁵⁴	103,456	157,254	(34.2) %
Passenger load factor ⁵⁵	52.4 %	83.5 %	(31.1) pts.
Passenger revenue yield per RPM (cents) ⁵⁶	14.14	15.82	(10.6) %
Operating revenue yield per ASM (cents) ⁵⁷	8.75	14.26	(38.6) %
Operating expenses per ASM (cents) ⁵⁸	12.43	12.38	0.4 %
Aircraft at end of period ⁵⁹	718	747	(3.9) %
Average age of fleet	12	12	-
Active, full-time equivalent Employees at year-end ⁶⁰	56,537	60,767	(7.0) %

Reconciliation of Reported Amounts to Non-GAAP Items⁶¹

(Dollars in millions, unaudited)

Year ended Dec. 31,	2020
Net loss, as reported	\$ (3,074)
Deduct: Payroll support and voluntary Employee programs, net	(967)
Deduct: Contracts settling in the current period, but for which losses were reclassified from Accumulated Other Comprehensive Income (AOCI)	(25)
Deduct: Gain from aircraft sale-leaseback transactions	(222)
Add: Impairment of long-lived assets	32
Add: Mark-to-market impact from fuel contracts settling in current and future periods	40
Add: Mark-to-market impact from interest rate swap agreements	28
Add: Post-retirement curtailment charge	53
Add: Net loss tax impact of special items, excluding GAAP to Non-GAAP tax rate difference ⁶²	376
Add: GAAP to Non-GAAP tax rate difference ⁶³	247
Net loss, excluding special items	\$ (3,512)



Attending to the Planet

The size and scale of our operation presents us with an exciting opportunity. The COVID-19 pandemic reduced our operations during 2020, but during 2019's peak travel season, Southwest operated more than 4,000 weekday departures. Even small, incremental improvements in energy efficiency, waste reduction, or conservation are multiplied thousands of times—so small changes add up quickly! By acting as good environmental stewards across our entire operation, we can take meaningful steps to reduce our environmental impact and preserve the Planet—one flight at a time.



Nearly 140,000 pounds repurposed

In 2020, we repurposed nearly 140,000 pounds of leather seat covers



More than \$630 million in Smart Investments

Southwest has invested more than \$630 million in fuel efficiency improvements since 2002



Reduced CO₂e

In 2020, 1.29M gallons were saved for a 12,632MT reduction in CO₂e by using our Central Monitoring System

Environmental Stewardship p41

Energy p43

Waste p47

Planet Data Table p49



KEY TOPIC

Environmental Stewardship

We seek to promote a better, healthier Planet, but we recognize we can't accomplish it alone. Protecting our Planet for generations to come is going to require a joint effort from individuals, communities, and businesses—all working together to do their part. We seek to team up with other environmentally minded organizations to help us amplify our impact and make the Planet a better, more sustainable place.⁶⁴

STORIES

[Strengthening Our Commitment to the Environment](#) >

Strengthening Our Commitment to the Environment

Our Purpose at Southwest is to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. It serves as our Company's Heartbeat and keeps us mindful of our impact on those around us. Living out our Purpose means doing things right across our operation: serving Customers with a Servant's Heart, championing communities where we live and work, and protecting and respecting our Planet for future generations to come.

For years, we have evaluated and executed ways we can improve environmental stewardship across our airline. We have efforts in place to reduce emissions intensity, manage waste, use fuel more efficiently, and repurpose materials to minimize the impact on landfills. Efforts include:

- Partnering with different organizations including Red Rock Biofuels and the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) to support sustainable aviation fuel (SAF) development and production

- Returning to service the Boeing 737 MAX 8, our most fuel-efficient aircraft
- Expanding our Boeing order book through 2031, including 100 additional Boeing MAX 7 aircraft, which are expected to replace less fuel-efficient Boeing 737-700 aircraft⁶⁵
- Continuing the ongoing work of our Repurpose with Purpose program which diverts materials and items intended for landfills while generating social and economic opportunities for communities

UN SDG Alignment	GRI Index
	302-1
	302-2
	302-3
	302-4
	302-5
	305-1
TR-AL-110a.2	305-2
	305-3
	305-4
	305-5
	305-6
	305-7



We recognize global citizenship is not a fixed destination; no company ever truly “arrives” as an environmental steward. True citizenship demands ongoing iteration and improvement as circumstances in the world around us change and affect our business. That’s why in early 2020, we further concentrated our effort to find new ways to reduce our environmental footprint. This includes an intention to increase the usage of sustainable aviation fuel, introduce carbon offsets where they make sense, and improve our recycling efforts inflight and on the ground.⁶⁶ Throughout 2020, we brought together Employees from across the Company who spent time collectively reviewing existing plans while developing new ideas to strengthen our commitment to the environment:

- Focusing on a goal of carbon neutrality for our emissions by 2050. To accomplish this, we’re looking to incorporate more sustainable aviation fuel partners and introduce carbon offsetting into our operation
- Purchasing renewable energy certificates (RECs) equal to the electricity consumption at our Headquarters campus, while working to develop a comprehensive, longer-term renewable energy strategy for our corporate facilities
- Continuing our work with a variety of organizations, nonprofits, and government entities, including Airlines for America (A4A), whose work complements our efforts to improve our environmental sustainability
- We will remain committed to improving our environmental footprint at our owned facilities and creating a sustainable inflight experience for our Customers. We will continue to explore repurposing and upcycling options for items including aircraft seat leather
- We will invite individual and Corporate Customers to join the effort to show kindness to our Planet. Whether through volunteer opportunities or purchasing carbon offsets for travel, we want to provide options where People not only can buy-in philosophically, but do their part

At Southwest, our Heart doesn't just give back, it gives forward, and we recognize conservation can be more impactful when we all work together for a more sustainable future.

In harmony with these efforts, Southwest also continues to align with A4A in the trade association’s strategies to address the impacts of aviation on the climate. This includes aligning with industry-wide goals for emission reduction and building our own plans for achieving carbon neutrality by 2050.⁶⁷

The carbon neutral goal is an ambitious one, and it will take all airlines, government, airframe and engine manufacturers, and the oil and gas industry working together to achieve. It will take the advancement of technology in engine and airframe design; the government’s commitment to a modernized air traffic management system and needed infrastructure improvements; support and incentives for affordable and scaled SAF development and production; and airlines working to modernize fleets for further fuel efficiency and reduced emissions.

We have a responsibility to the environment and that’s something we take seriously. At Southwest, our Heart doesn’t just give back, it gives forward, and we recognize conservation can be more impactful when we all work together for a more sustainable future. Because the People we serve and the places we call home are more than just parts of our operation—they’re at the Heart of who we are.



“Doing the right thing is about being a good steward of the environment. It’s a win-win: what’s good for our business is also good for our Planet. We’re proud of our environmental accomplishments and we’re ready to do more. Establishing a goal to be carbon neutral by 2050 is an excellent and logical next step, and we’re excited to continue our journey toward increased environmental sustainability.”

—Tom Nealon, President Southwest Airlines



KEY TOPIC

Energy

Conserving energy is good for everyone. It's good for our business—we save money on fuel and electricity. It's good for our Customers—it helps us keep their fares low. And by allowing us to use natural resources more efficiently, it's great for our Planet. In our opinion, finding new ways to conserve energy isn't just a smart choice; it's an obvious one!

Building Energy

When the majority of our Corporate Campus-based Employees began working remotely as a result of COVID-19 precautions, our Corporate Facilities Team made immediate changes to the building operations. This included turning off air conditioning equipment, vending machines, freezers/refrigerators, and interior lights in unoccupied areas. This Team also balanced the proper amount of air conditioning equipment operating for the number of People and Teams who still reported to campus.

We ventilate every area of the building daily, even the unoccupied areas. At night, we stagger the start time for air conditioning equipment in the areas that are unoccupied during the day. By ventilating these areas for a few hours each night, we maintain a healthy building. This does use energy but we chose to do this at night when the heat loads in the building are lower. By staggering the start times throughout the night, we minimize our total energy footprint.

Along with the energy savings measure that this Team implemented, we also had to address COVID-19.

STORIES

[Building Energy](#) >

[Fuel Efficiency and Greenhouse Gas Emissions](#) >

UN SDG Alignment



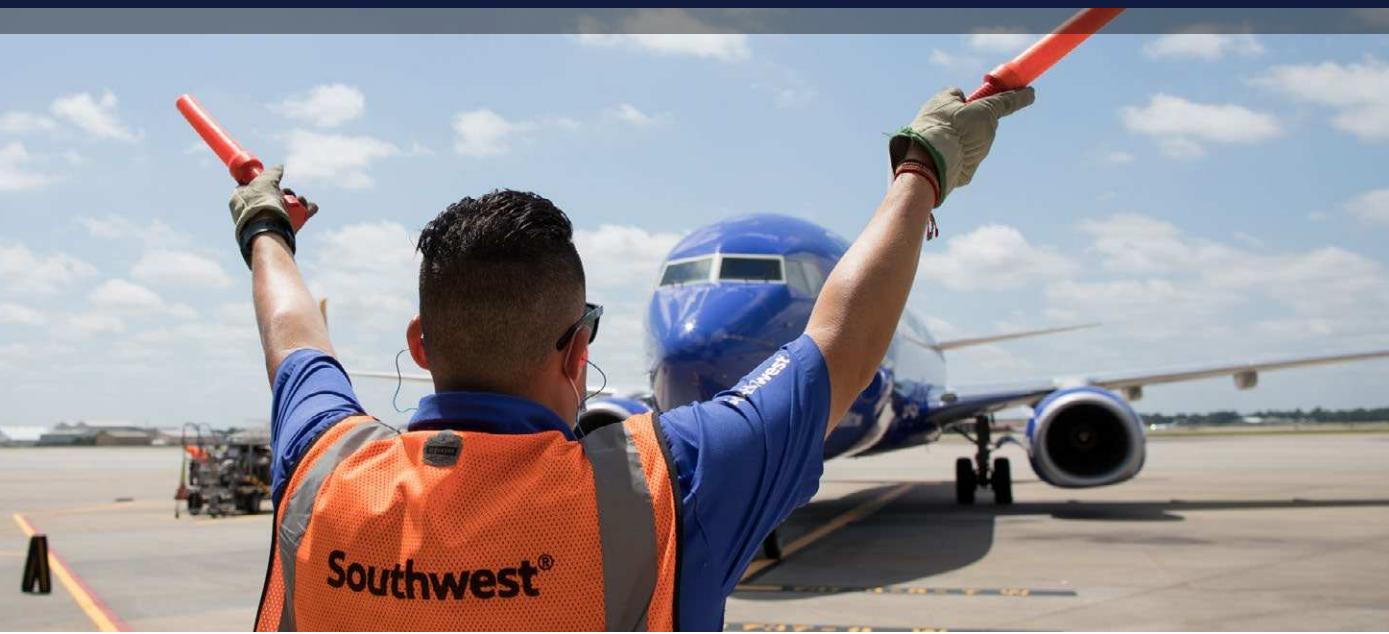
GRI Index

302-4

302-5



From the beginning, we followed the U.S. Centers for Disease Control and Prevention (CDC) and The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) guidelines to ventilate the buildings as much as possible. This meant eliminating the Demand Controlled Ventilation strategy, which is an energy savings strategy that allows for the proper amount of outside air ventilation for any given indoor environment condition. We opened up the outside air intake as much as possible on all of our equipment. This new ventilation strategy was implemented for the health of all Employees working on campus.



Fuel Efficiency and Greenhouse Gas Emissions

Jet fuel is our largest energy source. As a result, it is one of our largest expenses and our single greatest source of emissions. We are always looking for opportunities to increase fuel efficiency and lower our greenhouse gas emissions.



SASB Index
TR-AL-110a.1
TR-AL-110a.2

GRI Index
302-1
302-2
302-3
302-4
305-1
305-2
305-4
305-5

Fuel Efficiency

Because of the direct relationship between our fuel consumption and the cost associated with that consumption, we are self-motivated in the pursuit of multiple fuel efficiency initiatives. These initiatives help us to minimize fuel consumption and emissions, as well as maintain a low-cost advantage in the airline industry. Since 2002, Southwest has invested more than \$630 million in fuel efficiency improvements, excluding new aircraft purchases. These initiatives include routinely performing engine washes, utilizing ground electric power while aircraft are parked at airport gates, and reducing ground idle speeds for aircraft in our fleet.

While we continued to invest in fuel efficiency improvements, in March 2019, we were required to remove the Boeing 737 MAX 8, our most fuel efficient aircraft, from service. On Nov. 18, 2020, the Federal Aviation Administration (FAA) issued official requirements to enable airlines to return the MAX to service. We satisfied applicable FAA requirements by modifying certain operating procedures, implementing enhanced Pilot training requirements, installing FAA-approved flight control software updates, and completing other required maintenance tasks

specific to the MAX aircraft. Following more than 200 readiness flights completed over several months, the MAX was returned to revenue service on March 11, 2021. The MAX 8 aircraft are 14% more fuel efficient than our 737-800 aircraft, and their return to service is a welcome addition to our efforts to operate efficiently. Southwest is investing over \$12 billion in firm aircraft orders for the Boeing 737 MAX to improve fuel efficiency and reduce carbon emissions.

In 2020, we experienced a year-over-year fuel efficiency improvement of 7.4% when measured in available seat miles (ASMs)⁶⁸ per gallon of jet fuel consumed. This improvement was in part the result of operating fewer of our oldest, least fuel-efficient aircraft as a result of capacity reductions due to the COVID-19 pandemic. In our One Report we have historically reported our fuel efficiency on a revenue ton mile (RTM)⁶⁹ per gallon of jet fuel consumed basis. The RTMs/gallon efficiency metric relies on both the efficiency of our fleet and the revenue traffic carried. The COVID-19 pandemic depressed the demand for air travel, and we experienced load factors⁷⁰ that were considerably lower than historical levels. As travel demand returns toward pre-pandemic levels, our fuel efficiency measured on a RTMs/gallon basis is expected to improve.⁷¹

2020 Incremental Jet Fuel Conservation



Greenhouse Gas Emissions

To better understand our environmental impact and increase the transparency of our operations, we have voluntarily tracked and reported our greenhouse gas (GHG) emissions since 2009.

Our primary source of GHG emissions is the consumption of jet fuel. Total GHG emissions from our aircraft declined in 2020 compared with 2019, primarily due to reduced capacity in response to the effects of the COVID-19 pandemic. Additionally, emissions intensity per ASM⁷² improved in 2020, primarily as a result of operating fewer of our oldest fuel-efficient aircraft due to capacity reductions along with lower load factors⁷³ resulting from the COVID-19 pandemic. Significantly lower load factors due to COVID-19 led to a substantial increase in our emissions per revenue passenger mile (RPM)⁷⁴ and revenue ton mile (RTM)⁷⁵. As travel demand returns toward pre-pandemic levels, our emissions intensity metrics are expected to improve.⁷⁶

With many of our Corporate Campus-based Employees working remotely due to COVID-19, energy consumption at our campus was lower in 2020. This change in work location resulted in lower emissions from our electricity and natural gas consumption.

2020 Scope 1 Emissions Breakdown





Historic CO₂ e Intensity Ratios

(calculated using Scope 1 & 2 emissions)⁷⁷



**KEY TOPIC**

Waste

At Southwest, we don't think that throwing away resources that could be repurposed, reused, or recycled is a very smart way to operate a business—and it certainly isn't very good for the Planet—so we take a comprehensive approach to waste management. Whether on the ground or in the air, our Heart for the Planet prompts us to minimize our waste stream so that we can better preserve our Planet's finite natural resources.

STORIES

[Repurpose with Purpose](#)



Repurpose with Purpose

At Southwest, our Heart doesn't just give back—it gives forward. As an airline, we recognize our business has an impact on the world around us, both good and bad. We want to do our part to protect the world for future generations.

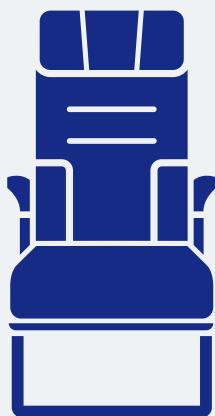


Repurpose with Purpose is a global sustainability initiative that respects our resources while sharing our Heart with others. Through the program, we partner with like-minded organizations to upcycle, downcycle, and recycle thousands of pounds of materials every year, keeping them out of landfills. In 2020, we repurposed nearly 140,000 pounds of used aircraft seat covers through Repurpose with Purpose.

UN SDG Alignment

GRI Index
306-2





In 2020, nearly
**140,000
pounds**
of leather seat covers
were repurposed.



Best of all, the program has a positive social impact while limiting waste. By turning leather seat covers, engine parts, and life vests into new, useful products, the program supports Customers and communities—helping provide employment, skills training, and other social benefits.

In November 2020, we teamed up with one of our Repurpose with Purpose partners, Help Heal Veterans, to distribute therapeutic craft kits to veterans and Customers traveling in November. Help Heal Veterans has provided more than 31 million free therapeutic arts and crafts kits to hospitalized and homebound veterans since the organization was founded. The kits give veterans a creative outlet and offer important therapeutic and rehabilitation benefits. Help Heal Veterans works with clinicians and veterans to make sure that the kits address veterans' unique needs, and the kits often become part of formal rehabilitation treatment plans.

Through this partnership, Help Heal Veterans utilizes the leather from our aircraft seat covers to create craft kits for veterans, allowing them to make items including footballs, belts, wallets, and wristbands. As of Dec. 31, 2020, more than 106,000 veterans have received therapy art kits made from Southwest materials.

We are honored to partner with Help Heal Veterans and other organizations dedicated to supporting and championing our active and retired military. We believe in living responsibly, respecting our resources, and sharing our Heart with others. With respect, honor, and gratitude, Southwest thanks all veterans for their bravery and service. To learn more about the Help Heal Veterans organization, please visit their website at healvets.org.

**We are honored to partner with
Help Heal Veterans and other
organizations dedicated to supporting
and championing our active
and retired military.**

Planet Data Table

	2020	2019	2018	2017	2016
Environmental Impacts					
Total energy consumption (megawatt-hours (MWh))	49,779,294	81,119,463	81,128,558	79,203,011	77,366,032
Production activity (revenue ton miles (RTMs)) ⁸¹	6.1 billion	14.6 billion	14.8 billion	14.4 billion	13.9 billion
Intensity ratio (MWh/1,000 RTMs) ⁸²	8.16	5.56	5.47	5.52	5.57
Water consumption (gallons) ⁸³	83 million	95 million	99 million	85 million	83 million
Intensity ratio (gallons/Employee) ⁸⁴	Nearly 1,500	Nearly 1,600	Nearly 1,700	More than 1,500	More than 1,500
Greenhouse Gas Inventory (Scope 1 and Scope 2 Emissions)					
Scope 1 emissions (metric tons of carbon dioxide equivalent (CO ₂ e)) ⁸⁵	12,591,984	20,532,323	20,537,710	20,148,910	19,664,622
Scope 2 emissions (metric tons of CO ₂ e) ⁸⁶	38,334	44,783	46,972	51,634	53,264
Total Scope 1 and Scope 2 GHG emissions (metric tons of CO ₂ e)	12,630,318	20,577,106	20,584,682	20,200,544	19,717,886
Intensity ratio (metric tons CO ₂ e/1,000 RPMs) ⁸⁷	0.233	0.157	0.154	0.157	0.158
Intensity ratio (metric tons CO ₂ e/1,000 ASMs) ⁸⁸	0.122	0.131	0.129	0.131	0.133
Intensity ratio (metric tons CO ₂ e/1,000 RTMs) ⁸⁹	2.07	1.40	1.39	1.41	1.42
Greenhouse Gas Inventory (Scope 3 Emissions)⁹⁰					
Waste generated in operations—waste to landfill and burned for energy recovery (metric tons CO ₂ e)	1,500	2,200	2,100	1,900	2,700
Employee commuting—estimate based on survey (metric tons CO ₂ e)	118,300	151,400	147,200	137,600	137,200
Other Air Emissions⁹¹					
NO _x emissions (tons)	7.1	7.1	6.8	7.1	7.1
SO _x emissions (tons)	0.7	0.7	0.7	0.7	0.7
Regulatory Compliance					
Number of environmental violations resulting in fines	None	1	None	None	1
Total environmental fines	\$ -	\$ 1,305	\$ -	\$ -	\$ 3,303
Environmental Conservation					
Fuel efficiency (ASMs/gallon) ⁹²	81.3	75.7	76.3	75.2	74.4
Fuel efficiency (RPMs/gallon) ⁹³	42.3	63.2	63.7	63.1	62.5
Fuel efficiency (RTMs/gallon) ⁹⁴	4.8	7.0	7.1	7.0	7.0
Total number of electric Ground Support Equipment (GSE)	1,439	1,412	1,304	1,215	1,338
Purchases of renewable energy certificates (kWh)	0	More than 25 million			
Waste Management and Recycling⁹⁵					
Total waste generated (tons)	6,032	9,310	10,599	9,858	9,690
Total waste recycled (tons)	1,503	2,426	3,757	3,737	3,348
Percent of total waste recycled	25	26	35	38	35
Recycled co-mingled waste—paper, plastic, aluminum, and cardboard (tons)	Nearly 950	Nearly 1,600	Nearly 3,000	More than 3,000	More than 2,600
Recycled industrial waste (tons)	423	584	568	730	721
Hazardous waste generated (tons)	25.7	27.4	29.2	21.6	24.1
Hazardous waste managed through recycling and beneficial reuse (tons)	19.1	22.3	20.6	17.2	16.1
Intensity ratio (pounds of hazardous waste generated/aircraft)	72	73	78	61	67

Reporting Frameworks

Since 2009, we have used the Global Reporting Initiative (GRI) to guide our disclosures in the One Report. In an effort to continue to provide our Stakeholders with increased transparency, 2020 marks the first time that we have linked the One Report to Sustainability Accounting Standards Board (SASB) standards.

The 2020 Southwest One Report references both GRI Standards and SASB. Disclosures corresponding to both frameworks can be found in the following indices.

Information is presented in the 2020 Southwest One Report with respect to efforts related to corporate social responsibility (CSR) and environmental, social, and governance (ESG) key topics, a term we use instead of materiality to avoid confusion with key financial information.

GRI Content Index

Indicator	Description	2020 Response
General Disclosures		
Organizational Profile		
102-1	Name of the organization	Southwest Airlines Co.
102-2	Activities, brands, products, and services	Reporting on Business Performance
102-3	Location of headquarters	2702 Love Field Dr. Dallas, Texas 75235 USA
102-4	Location of operations	We operated in eleven countries: the United States, Mexico, Jamaica, The Bahamas, Aruba, Dominican Republic, Costa Rica, Belize, Cuba, the Cayman Islands, and Turks and Caicos.
102-5	Ownership and legal form	Reporting on Business Performance
102-6	Markets served	We serve business and leisure air travelers, and in 2020, operated in the U.S. domestic market as well as some parts of Mexico, Central America, and the Caribbean region. Reporting on Business Performance Expanding Our Network Our Fleet
102-7	Scale of the organization	Reporting on Business Performance Expanding Our Network
102-8	Information on Employees and other workers	People Data Table
102-9	Supply chain	Our Approach to Supply Chain
102-10	Significant changes to the organization and its supply chain	Our Approach to Supply Chain Reporting on Business Performance

GRI Content Index

Indicator	Description	2020 Response
Organizational Profile (continued)		
102-11	Precautionary principle or approach	Southwest has not adopted the precautionary principle. For Southwest, adoption of the principle would apply primarily to potential harm related to use of fossil fuels and carbon emissions. While the precautionary principle has not been adopted, Southwest remains committed to pursuing, implementing, and enhancing initiatives that minimize fuel consumption, which in turn minimizes carbon emissions.
102-12	External initiatives	Airlines for America (A4A) A4A Climate Change Commitment Coalition for Public Relations Research Standards
102-13	Membership of associations	<p>We develop and nurture authentic civic and business relationships across the more than 100 communities within the Southwest system. In 2020, we invested in 95 national, state, and local membership organizations including, but not limited to, the U.S. Chamber of Commerce, Greater Baltimore Committee, Downtown Denver Inc., Dallas Regional Chamber of Commerce, Hawaii Lodging and Tourism Association, Los Angeles Area Chamber of Commerce, Greater Houston Partnership, and Florida Economic Development Council.</p> <p>Southwest also participates in:</p> <p>Airlines for America (A4A) Coalition for Public Relations Research Standards National Diversity Council Board Catalyst: Workplaces That Work for Women Dallas Citizens Council U.S. Chamber of Commerce Travelers United Workforce Solutions Greater Dallas Board: a local organization mandated to implement a system of services that complement economic development as a resource for employers to access the quality employees they need, and training individuals to be successfully employed.</p>
Strategy		
102-14	Statement from senior decision-maker of the organization	A Word from Gary Reporting on Business Performance
102-15	Key impacts, risks, and opportunities	Our Approach to Key Topics Our Approach to Supply Chain Our Approach to Diversity, Equity, and Inclusion Our Approach to Environmental Stewardship 2020 Annual Report Southwest Airlines CDP Submission
Impact		
102-16	Values, principles, standards, and norms of behavior	Sharing Our Company Values Purpose, Vision, and The Southwest Way , Our Promises and Values Investor Relations Supplier Information Code of Ethics
102-17	Mechanisms for advice and concerns about ethics	Code of Ethics Audit Committee Procedures for Reporting Complaints or Concerns

GRI Content Index

Indicator	Description	2020 Response
Governance		
102-18	Governance structure	Our Approach to Governance Investor Relations , Corporate Governance Board Committees Company Officers Corporate Bylaws Corporate Governance Guidelines Corporate Policies 2021 Proxy Statement , pp. 8-15
102-19	Delegating authority	Our Approach to Governance
102-20	Executive-level responsibility for economic, environmental, and social topics	Our Approach to Governance
102-21	Consulting Stakeholders on economic, environmental, and social topics	Our Approach to Key Topics
102-22	Composition of the highest governance body and its committees	Our Approach to Governance Investor Relations , Corporate Governance 2021 Proxy Statement , pp. 2-15
102-23	Chair of the highest governance body	2021 Proxy Statement , pp. 6 and 9
102-24	Nominating and selecting the highest governance body	Investor Relations , Corporate Governance Nominating and Corporate Governance Committee Charter 2021 Proxy Statement , pp. 8-9 and 14
102-25	Conflicts of interest	Code of Ethics Our Approach to Governance Investor Relations , Corporate Governance 2021 Proxy Statement , p. 15
102-26	Role of highest governance body in setting purpose, values, and strategy	Our Approach to Governance Investor Relations , Corporate Governance
102-27	Collective knowledge of highest governance body	Our Approach to Governance Investor Relations , Corporate Governance 2021 Proxy Statement , pp. 3-7
102-28	Evaluating the highest governance body's performance	Our Approach to Governance Investor Relations , Corporate Governance 2021 Proxy Statement , pp. 8-9 and 14
102-29	Identifying and managing economic, environmental, and social impacts	Our Approach to Governance Investor Relations , Corporate Governance Our Approach to Key Topics
102-30	Effectiveness of risk management processes	Our Approach to Governance Investor Relations , Corporate Governance 2021 Proxy Statement , pp. 10-12

GRI Content Index

Indicator	Description	2020 Response
Governance (continued)		
102-31	Review of economic, environmental, and social topics	Our Approach to Governance Investor Relations , Corporate Governance
102-32	Highest governance body's role in sustainability reporting	Our Citizenship Executive Steering Group (CESG) Leadership reviews and approves our annual One Report, with our Chief Executive Officer providing final review and approval.
102-33	Communicating critical concerns	Audit Committee Procedures for Reporting Complaints or Concerns Code of Ethics 2021 Proxy Statement , p. 10
102-34	Nature and total number of critical concerns	This information is confidential and is not communicated externally by the Company.
102-35	Remuneration policies	2021 Proxy Statement , pp. 18-46
102-36	Process for determining remuneration	2021 Proxy Statement , pp. 18-46
102-37	Stakeholders' involvement in remuneration	2021 Proxy Statement , pp. 48-49
102-38	Annual total compensation ratio	2021 Proxy Statement , pp. 37-38
Stakeholder Engagement		
102-40	List of Stakeholder groups	Our Approach to Key Topics
102-41	Collective bargaining agreements	As of Dec. 31, 2020, approximately 83% of our Employees are covered by collective bargaining agreements.
102-42	Identifying and selecting Stakeholders	Our Approach to Key Topics
102-43	Approach to Stakeholder engagement	Our Approach to Key Topics
102-44	Key topics and concerns raised	Our Approach to Key Topics
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Reporting on Business Performance
102-46	Defining report content and topic boundaries	Our Approach to Key Topics
102-47	List of key topics	Our Approach to Key Topics
102-48	Restatements of information	See data tables for any restatements of information provided in previous reports: People Data Table Performance Data Table Planet Data Table
102-49	Changes in reporting	There are no significant changes from previous reporting periods in key topics and topic boundaries.

GRI Content Index

Indicator	Description	2020 Response
Reporting Practice (continued)		
102-50	Reporting period	Calendar year 2020, unless otherwise stated.
102-51	Date of most recent report	Apr. 21, 2020
102-52	Reporting cycle	Annual, calendar year 2020
102-53	Contact point for questions regarding the report	SWACitizenship@wnco.com
102-54	Claims of reporting in accordance with GRI standards	This report is self-declared to be in accordance with the Global Reporting Initiative (GRI) Core framework.
102-55	GRI content index	Corporate Sustainability Reporting Framework
102-56	External assurance	Assurance Statement for 2020 Greenhouse Gas Inventory

Topic-Specific Standards**Economic Disclosures****Management Approach**

103-1	Explanation of the key topic and its Boundary	In 2020, Southwest completed a formal key topics assessment to identify the most relevant CSR/ESG topics according to our Stakeholders (Communities, Customers, Employees, Governments, and Non-governmental Organizations (NGOs), Investors, and Suppliers). The 2020 assessment examined 28 topics and helped guide the creation of the One Report. Topics were grouped into five categories: Economic, Employees, Environment, Governance, and Social. Reporting Scope and Key Topics
103-2	The management approach and its components	At Southwest, we are committed to doing the right thing by our People, through our Performance, and in service to our Planet. Our Employees, Customers, Shareholders, suppliers, and community partners all contribute to the many opportunities we see for the future of our Company. We take pride in our reputation as the airline with Heart, and that naturally extends to a passion for making a difference in our communities and protecting our resources. We listen to and learn from them, seeking to address their interests in the One Report and beyond. Our commitment to being a good global citizen is shared in the way we carry out our Purpose—connecting People to what's important in their lives through friendly, reliable, and low-cost air travel. Details on Our Approach
103-3	Evaluation of the management approach	Our Approach to Governance Investor Relations , Corporate Governance

Economic Performance

201-1	Direct economic value generated and distributed	Our Approach to Community Outreach Deepening Our Commitment to Diversity, Equity, and Inclusion (DEI) 2020 Financial Results Reporting on Business Performance Ten-Year Summary Expanding Our Network System Map Performance Data Table
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GRI Content Index

Indicator	Description	2020 Response
Economic Performance (continued)		
201-2	Financial implications and other risks and opportunities due to climate change	<p>Southwest has voluntarily reported our greenhouse gas emissions through CDP (formerly the Carbon Disclosure Project) for the past 12 years. In our CDP response, we quantify climate change impacts, risks, and opportunities on our business and provide information on how we're integrating climate change into our business strategy. You can find Southwest's CDP response at www.cdp.net. We have invested more than \$630 million in fuel efficiency projects since 2002, exclusive of new aircraft purchases.</p> <p>Reporting on Business Performance Planet Data Table</p>
201-3	Defined benefit plan obligations and other retirement plans	<p>Economic Performance Reporting on Business Performance People Data Table</p>
201-4	Financial assistance received from Government	<p>Economic Performance Reporting on Business Performance 2020 Financial Results 2020 Annual Report</p>
Indirect Economic Impacts		
203-1	Infrastructure investment and services supported	<p>Our Approach to Community Outreach Expanding Our Network 2020 Annual Report, pp. 62-63, 79-81</p>
203-2	Significant indirect economic impacts	<p>Our Approach to Supply Chain Our Approach to Community Outreach Our Approach to Economic Impact People Data Table Expanding Our Network Performance Data Table</p>
Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	<p>At Southwest, we strive to maintain accountability and transparency of our business practices to reduce or eliminate corruption. We require all Employees to certify receipt and understanding of our Code of Ethics and Insider Trading Policy. We also employ robust auditing procedures to analyze and monitor business activities, which further enhance our ability to maintain high ethical standards. We continually review our systems to provide transparency and accountability, and we update our corporate governance policies when appropriate.</p> <p>In 2020, more than 63,000 Southwest Airlines Employees and certain business associates certified receipt of our Code of Ethics and Insider Trading policy. During 2020, we also distributed our Foreign Corrupt Practices Act Policy and Anti-Corruption Compliance Procedures to all Company Officers, Senior Leaders of all departments, and select Employees and Contractors who are involved with Southwest's financial records and/or international operations.</p> <p>In 2020, more than 2,700 individuals received and completed a compliance questionnaire regarding the Foreign Corrupt Practices Act.</p>

GRI Content Index

Indicator	Description	2020 Response
Environmental Disclosures		
Management Approach		
103-1	Explanation of the key topic and its Boundary	<p>In 2020, Southwest completed a formal key topics assessment to identify the most relevant CSR/ESG topics according to our Stakeholders (Communities, Customers, Employees, Governments, and Non-governmental Organizations (NGOs), Investors, and Suppliers). The 2020 assessment examined 28 topics and helped guide the creation of the One Report. Topics were grouped into five categories: Economic, Employees, Environment, Governance, and Social.</p> <p>Reporting Scope and Key Topics Assessment</p>
103-2	The management approach and its components	<p>At Southwest, we are committed to doing the right thing by our People, through our Performance, and in service to our Planet. Our Employees, Customers, Shareholders, suppliers, and community partners all contribute to the many opportunities we see for the future of our Company. We take pride in our reputation as the airline with Heart, and that naturally extends to a passion for making a difference in our communities and protecting our resources. We listen to and learn from them, seeking to address their interests in the One Report and beyond. Our commitment to being a good global citizen is shared in the way we carry out our Purpose—connecting People to what's important in their lives through friendly, reliable, and low-cost air travel.</p> <p>Details on Our Approach</p>
103-3	Evaluation of the management approach	<p>Our Approach to Governance</p> <p>Investor Relations, Corporate Governance</p>
Energy		
302-1	Energy consumption within the organization	<p>Fuel Efficiency and Greenhouse Gas Emissions</p> <p>Planet Data Table</p>
302-3	Energy intensity	<p>Fuel Efficiency and Greenhouse Gas Emissions</p> <p>Planet Data Table</p>
302-4	Reduction of energy consumption	<p>Total greenhouse gas emissions from our aircraft declined in 2020 compared with 2019, primarily due to capacity cuts in response to the effects of the COVID-19 pandemic.</p> <p>Building Energy</p> <p>Fuel Efficiency and Greenhouse Gas Emissions</p>
302-5	Reductions in energy requirements of products and services	<p>Although the Company's MAX aircraft remained grounded throughout 2020, the Company improved its fuel efficiency in 2020, as compared with 2019, primarily by operating fewer of its oldest, least fuel-efficient Boeing 737-700 aircraft as a result of capacity cuts in response to the effects of the COVID-19 pandemic. Lower load factors,⁹⁶ due to COVID-19, also contributed to fuel efficiency during 2020.</p> <p>Building Energy</p> <p>Fuel Efficiency and Greenhouse Gas Emissions</p> <p>Planet Data Table</p>
Emissions		
305-1	Direct (Scope 1) GHG emissions	<p>Fuel Efficiency and Greenhouse Gas Emissions</p> <p>Planet Data Table</p>
305-2	Energy indirect (Scope 2) GHG emissions	<p>Fuel Efficiency and Greenhouse Gas Emissions</p> <p>Planet Data Table</p>
305-3	Other indirect (Scope 3) GHG emissions	<p>Planet Data Table</p> <p>Southwest Airlines CDP Submission</p>

GRI Content Index

Indicator	Description	2020 Response
Emissions (continued)		
305-4	GHG emissions intensity	Fuel Efficiency and Greenhouse Gas Emissions Planet Data Table Southwest Airlines CDP Submission
305-5	Reduction of GHG emissions	Fuel Efficiency and Greenhouse Gas Emissions Planet Data Table Southwest Airlines CDP Submission
305-6	Emissions of ozone-depleting substances (ODS)	<p>One of the most important issues surrounding chemical management is the use of ozone-depleting substances. The ozone layer prevents harmful ultraviolet light from passing through the atmosphere, and the use of these substances can cause a decrease in the total volume of the ozone layer. Potential ozone-depleting substances Southwest presently uses include refrigerants found in the HVAC systems and appliances of Southwest operated buildings and the air conditioning systems of Company vehicles. Based on an upper-bound assumption of the expected losses that would occur from Southwest facilities, in 2019, we determined that the emissions from these refrigerants represented less than 0.02% of our total greenhouse gas emissions. We do not produce or import ozone-depleting substances in Southwest operations.</p>
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions ⁹⁷	Planet Data Table
Effluents and Waste		
306-1	Water discharge by quality and destination	Planet Data Table
306-2	Waste by type and disposal method	Repurpose with Purpose Planet Data Table
306-3	Significant spills	<p>In 2020, we had two spills that were reportable to the National Response Center per regulatory requirements. These spills were contained within an impervious area and there were no environmental impacts. We recognize that spills of chemicals, oils, and fuels can have a significant impact on our Planet, so we make every effort to prevent them.</p>
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Planet Data Table
Social Disclosures		
Management Approach		
103-1	Explanation of the key topic and its Boundary	<p>In 2020, Southwest completed a formal key topics assessment to identify the most relevant CSR/ESG topics according to our Stakeholders (Communities, Customers, Employees, Governments, and Non-governmental Organizations (NGOs), Investors, and Suppliers). The 2020 assessment examined 28 topics and helped guide the creation of the One Report. Topics were grouped into five categories: Economic, Employees, Environment, Governance, and Social.</p> Reporting Scope and Key Topics Assessment

GRI Content Index

Indicator	Description	2020 Response
Management Approach (continued)		
103-2	The management approach and its components	<p>At Southwest, we are committed to doing the right thing by our People, through our Performance, and in service to our Planet. Our Employees, Customers, Shareholders, suppliers, and community partners all contribute to the many opportunities we see for the future of our Company. We take pride in our reputation as the airline with Heart, and that naturally extends to a passion for making a difference in our communities and protecting our resources. We listen to and learn from them, seeking to address their interests in the One Report and beyond. Our commitment to being a good global citizen is shared in the way we carry out our Purpose—connecting People to what's important in their lives through friendly, reliable, and low-cost air travel.</p> <p>Details on Our Approach</p>
103-3	Evaluation of the management approach	<p>Our Approach to Governance</p> <p>Investor Relations, Corporate Governance</p>
Employment		
401-1	New Employee hires and Employee turnover	<p>People Data Table</p>
401-2	Benefits provided to Full-time Employees that are not provided to temporary or Part-time Employees	<p>In 2020, more than 59,700 active and inactive Southwest Employees participated in at least one component of the Company's Employee benefits program. Southwest offers standard benefits to both full-time and part-time Employees. In the case of tuition reimbursement, Southwest provided an annual benefit, which will be counted toward the calendar year in which reimbursement is made. Due to COVID-19, in July, we suspended the tuition reimbursement program.</p> <p>Many of the components offered to Employees in our Employee benefits program are also offered to dependents and/or committed partners.</p> <p>Our Approach to Economic Impact</p> <p>People Data Table</p> <p>Employee Benefits</p>
401-3	Parental leave	<p>Our Approach to Employee Experience</p> <p>Employee Benefits</p>
Labor/Management Relations		
402-1	Minimum Notice Periods Regarding Operational Changes	<p>Our Approach to Employee Experience</p> <p>Employee COVID-19 Response</p>
Occupational Health and Safety		
403-1	Occupational health and safety management system	<p>Our Approach to Occupational Health and Safety</p>
403-2	Hazard identification, risk assessment, and incident investigation	<p>Our Approach to Occupational Health and Safety</p> <p>Four Functions of Southwest's Safety Management System (SMS)</p> <p>Employee COVID-19 Response</p> <p>The Southwest Promise</p>
403-3	Occupational health services	<p>Our Approach to Occupational Health and Safety</p> <p>The Southwest Promise</p>
403-4	Worker participation, consultation, and communication on occupational health and Safety	<p>Our Approach to Occupational Health and Safety</p> <p>Employee COVID-19 Response</p> <p>The Southwest Promise</p>

GRI Content Index

Indicator	Description	2020 Response
Occupational Health and Safety (continued)		
403-5	Worker training on occupational health and Safety	Our Approach to Occupational Health and Safety Employee COVID-19 Response
Training and Education		
404-1	Average hours of training per year per Employee	People Data Table
404-2	Programs for upgrading Employee skills and transition assistance programs	Our Approach to Training and Development Employee COVID-19 Response People Data Table
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and Employees	<p>Southwest is committed to providing a stable work environment with equal opportunity for learning and personal growth. It is expected that Employees of Southwest Airlines act responsibly to maintain a positive working environment, allowing each Employee to perform at their maximum potential.</p> <p>Southwest encourages any Employee to bring any questions or concerns regarding harassment, sexual harassment, discrimination, or retaliation to their Leaders or to the Employee Relations Team. All inquiries are reviewed and addressed by the Employee Relations Team promptly, impartially, and discreetly under Southwest Airlines Policy Concerning Harassment, Sexual Harassment, Discrimination, and Retaliation.</p> <p> Our Approach to Diversity, Equity, and Inclusion Deepening our Commitment to Diversity, Equity, and Inclusion (DEI) People Data Table </p>
Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<p>At Southwest, we are strong supporters of protecting each individual's basic human and civil rights and are guided by fundamental principles to not only comply with the law at all times, but also to avoid the appearance of impropriety in the actions of our Employees and our business partners.</p> <p>One of our key corporate responsibilities is to respect human rights within our operations and throughout our value chains. We reflect these principles in various policies and our conduct toward Employees, Customers, suppliers, and the communities where we serve.</p> <p>We have created and adhere to Company policies to support and respect the protection of human rights within our sphere of influence. These policies include our commitment to:</p> <ul style="list-style-type: none"> Prohibit any form of harassment, discrimination, or retaliation in the workplace based on race, color, religion, age, sex, sexual orientation, gender identity, pregnancy, marital status, national origin, disability, veteran status, genetic information, or other legally protected statuses Respect the right of Employees to associate freely Recognize lawful rights of Employees to choose or not choose collective bargaining representation <p>We have not identified operations or suppliers where the right to exercise freedom of association and collective bargaining is being violated. We take preventative measures to mitigate this risk through our corporate policies.</p> <p> Corporate Policies </p>

GRI Content Index

Indicator	Description	2020 Response
Human Rights Assessment		
412-2	Employee training on human rights policies or procedures	<p>Southwest has a nearly 50-year history of proudly putting People first—which extends to both our Employees and Customers. We approach our commitment to supporting human rights in a variety of ways, which includes our recruitment efforts, how we train and equip our Employees, and the support we provide to different organizations in service to our communities. We are committed to evaluating our approach and regularly assess our impact on the communities we serve.</p> <p>At Southwest, we are committed to training our Employees on global issues and important topics. We conduct training on human rights issues as they relate to harassment, discrimination, or retaliation for all Employees. Human rights training and information (including training on Human Trafficking and notification to law enforcement authorities) are available for existing Employees through a variety of vehicles, including our Guidelines for Employees; our Disability Discrimination and Workplace Accommodation Policy, in both written and audio versions; our Most Compliant Leader training, a program required biannually of all Leaders, Supervisors, and above; and our harassment online learning module. More than 31,700 Southwest Employees and Contractors completed human rights training courses, totaling more than 61,000 training hours in 2020.</p> <p>We also deliver disability awareness training that provides an overview on how to best demonstrate Hospitality to our Customers with disabilities. Our Customer-facing Operational Employees attend annual training on our responsibilities as an airline.</p> <p>There is a growing focus on Human Trafficking at Southwest and in the airline industry. A robust Human Trafficking training is required for our Frontline Employees and recommended as voluntary curriculum for other Employees. In 2020, 18,000 Employees expanded their education and awareness around the growing global epidemic of Human Trafficking and Southwest's commitment to Safety regarding this issue through a video highlighting a recent Human Trafficking experience on a Southwest flight. We also hosted an online course that provides an overview on the crime of Human Trafficking. In 2020, 10,000 Employees learned how to identify Human Trafficking instances and take action, if necessary, through this course.</p> <p>Our Approach to Training and Development</p>
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	<p>Our Approach to Community Outreach</p> <p>Community Outreach During COVID-19</p> <p>Community Outreach Initiatives in Our Communities</p>
Public Policy		
415-1	Political contributions	<p>Our Approach to Public Policy</p>
Customer Health and Safety		
416-1	Assessment of the health and Safety impacts of product and service categories	<p>Southwest strives to educate and inform Customers on a wide range of topics in the interest of their health and Safety. During the COVID-19 pandemic and as part of the Southwest Promise, Southwest implemented and adjusted procedures intended to support the health and well-being of its Employees and Customers.</p> <p>Our Approach to Occupational Health and Safety</p> <p>Southwest Promise</p> <p>The Southwest Promise</p>

SASB Index 2020

Sustainability Disclosure Topics and Accounting Metrics

Topic	Code	Metric	Category	Unit or Measure	Reference/Response
Greenhouse Gas Emissions	TR-AL-110a.1	Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO ₂ e	Fuel Efficiency and Greenhouse Gas Emissions Planet Data Table
	TR-AL-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	Our Approach to Environmental Stewardship Strengthening Our Commitment to the Environment Fuel Efficiency and Greenhouse Gas Emissions
	TR-AL-110a.3	Total fuel consumed	Quantitative	Megawatt-hours (MWh)	Planet Data Table
Labor Practices	TR-AL-310a.1	Percentage of active workforce covered under collective bargaining agreements	Quantitative	Percentage (%)	People Data Table
	TR-AL-310a.2	(1) Number of work stoppages (2) Total days idle	Quantitative	Number, Days idle	0 & 0
Competitive Behavior	TR-AL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Quantitative	Reporting currency	\$ 0
Accident and Safety Management	TR-AL-540a.1	Description of implementation and outcomes of a Safety Management System	Discussion and Analysis	n/a	Our Approach to Occupational Health and Safety Four Functions of SMS
	TR-AL-540a.2	Number of aviation accidents	Quantitative	Number	No events classified by the NTSB as accidents
	TR-AL-540a.3	Number of governmental enforcement actions of aviation safety regulations	Quantitative	Number	1

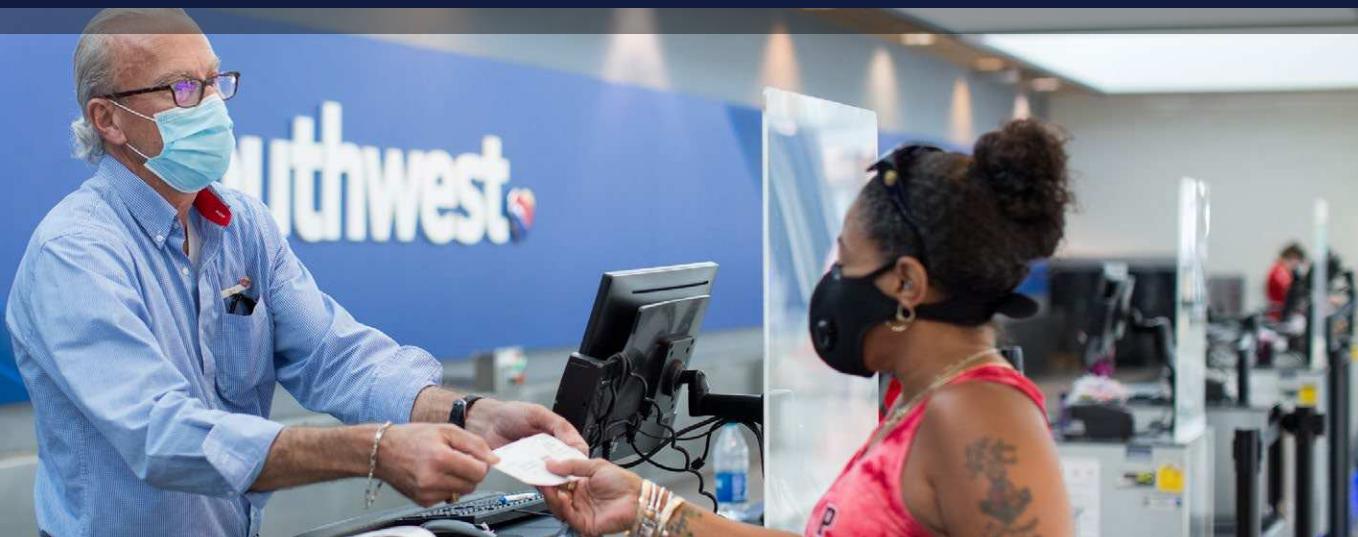
Activity Metrics

Metrics that quantify the scale of a company's business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison

Code	Activity Metric	Category	Unit of Measure	2020 Response
TR-AL-000.A	Available seat miles (ASM) ⁹⁸	Quantitative	ASM	Performance Data Table
TR-AL-000.B	Passenger load factor ⁹⁹	Quantitative	Rate	Performance Data Table
TR-AL-000.C	Revenue Passenger miles (RPM) ¹⁰⁰	Quantitative	RPM	Performance Data Table
TR-AL-000.D	Revenue ton miles (RTM) ¹⁰¹	Quantitative	RTM	Planet Data Table
TR-AL-000.E	Number of departures	Quantitative	Number	Performance Data Table (measured in Trips Flown)
TR-AL-000.F	Average age of fleet	Quantitative	Years	Performance Data Table

Note: Southwest uses miles for operational data reporting, rather than kilometers as in the SASB metrics.

Note: Southwest reports our energy consumption in megawatt-hours (MWh), rather than gigajoules as in the SASB metrics.



How We Support the Global Goals

The United Nations Sustainable Development Goals (SDGs) aim to address our world's most complex, pressing challenges, such as poverty, inequality, and environmental degradation. Enacting the 17 SDGs will require innovation, collaboration, and cooperation between businesses, governments, Non-governmental Organizations (NGOs),¹⁰² communities, and individuals. While Southwest supports all 17 SDGs, our 2020 key topics assessment has illuminated areas for potential operational improvements, allowed us to enhance our corporate social responsibility (CSR)/environment, social, governance (ESG) reporting approach, and helped us align our CSR/ESG activities with the SDGs and Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) reporting frameworks. These goals inform our citizenship strategy and actions and help us best leverage our People and resources to tackle these challenges.



**Target
3.2, 3.4**

Support healthy living and promote well-being for all at all ages

Throughout the COVID-19 pandemic, we proactively made changes in our operations to support the Safety and peace of mind of our Employees and Customers. We provided benefits and resources to help our Employees and their families lead healthy, balanced lives. Through our Medical Transportation Grant Program (MTGP), we annually provide complimentary roundtrip tickets to nonprofit hospitals and medical transportation organizations for medical patients and their caregivers who are traveling for specialized life-saving or life-changing medical care. Since MTGP's inception in 2007, we have donated more than \$38.6 million in transportation value, including our 2021 commitment of over \$3 million. In 2021, we awarded 75 hospitals across the country with complimentary air travel to transport patients for medical treatment as part of MTGP.

Additionally, in response to COVID-19 we:

- Provided more than 650 complimentary flights for medical personnel to assist in areas highly impacted by COVID-19, including transporting nearly 198 medical personnel to Hawaii to relieve local hospital employees, ensuring continued high-quality care for COVID-19 patients in 2020
- Donated cargo shipment services for humanitarian relief organizations transporting personal protective equipment (PPE), ventilators, and other life-saving medical devices across the country in 2020

Southwest also provides a variety of resources, including ongoing education and communication, to assist with maintaining and improving Employees' and their families' physical, mental, and financial health and well-being. Resources include:

- Designated Population Health Team Members to support workgroup-specific health initiatives
- Vendor resources dedicated to Companywide education and one-on-one Employee assistance
- An Employee portal with resources and educational recordings available 24/7, year-round

4 QUALITY EDUCATION

**Target
4.1, 4.4, 4.7****Support inclusive and equitable quality education and promote lifelong learning opportunities for all**

In 2020, we invested more than 1.2 million hours in Employee training and development. Southwest Airlines University (SWA U) provides Employees with access to hundreds of learning and development opportunities. At Southwest, we train in a highly regulated environment and need to measure proficiency. We believe that skilling up allows us to stay competitive and remain relevant in an environment that is constantly changing. As a Company, we will continue to evaluate the best method for learning, such as classroom, distance, on-the-job, mentoring, etc. The needs of learners are changing and will likely be a blended experience with technology and in-person. In response to the COVID-19 pandemic, SWA U became a completely virtual learning platform. Our Teams continue to evaluate our training approach in the long term. We are mindful of our audience, providing the tools they need and meeting them where they are to increase and deliver quality educational opportunities.

We believe investing in our future is part of living responsibly. This includes investing in educational programs and partnerships that inspire the next generation to pursue traditional and non-traditional career pathways.¹⁰³ In 2020, we:

- Enabled personal and professional advancement to empower individuals and communities by awarding 175 college students with complimentary travel through our Lanzate/Take-off Travel Award program, providing the opportunity for Latino students to pursue higher education pathways, while remaining connected to their families
- Continued our Destination 225° program to support future careers in aviation
- Partnered with hundreds of organizations across the country focused on leadership, education, and entrepreneurship including, but not limited to, Hispanic Heritage Foundation, National Urban League, 100 Black Men, National Association of Women Business Owners, and MANA de San Diego to support their missions
- Provided unique learning opportunities through our Adopt-A-Pilot program to inspire and educate students on career pathways in the aviation industry, giving Southwest Pilots opportunities to mentor and educate students in and around the fifth-grade level through aviation-themed activities related to science, geography, math, writing, and other core subjects
- Awarded nine scholarships to eligible dependents of Southwest Airlines Employees to support the pursuit of higher education pathways and goals

5 GENDER EQUALITY

**Target
5.1, 5.2****Achieve gender equality and empower all women and girls**

Southwest's inclusive Culture recognizes, respects, and values the differences of all Employees—including women. We also provide paid parental leave to new Moms and Dads, and allow them flexibility to use this benefit in a way that works best for their needs.

Our Supplier Diversity Program seeks sustainable, diverse suppliers that are women-owned.

To combat violence, including acts against women and girls, Southwest launched a Human Trafficking awareness curriculum to educate and empower all Employees on the issue of Human Trafficking, raise awareness for potential signs of trafficking, and inform them about how to take action. We also partnered with several nonprofit organizations in the fight against Human Trafficking by:

- Supporting prevention, rescue, and restoration initiatives to address the systemic issues impacting this epidemic
- Supporting the National Trafficking Hotline¹⁰⁴ through our partnership with Polaris¹⁰⁵ and providing complimentary travel to transport victims to safety
- Investing in local Human Trafficking organizations using a geo-targeted approach to provide support in cities where trafficking is most prevalent

Southwest has long been committed to diversity, equity, and inclusion (DEI), having been founded and guided across five decades by The Golden Rule to "Treat others as you would like to be treated." We continue to look for opportunities to better reflect in our organization the diverse demographics of the communities we serve. We engage in our diverse communities in a way that makes a difference over the long term, including strategic difference-makers like education, scholarship, and workforce development. We also utilize our supply chain practices and spending to make a strategic difference in our diverse communities over the long term.

8 DECENT WORK AND ECONOMIC GROWTH

**Target
8.2, 8.4, 8.7****Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all**

As of Dec. 31, 2020, we provided direct employment to more than 56,000 Employees¹⁰⁶ and procured goods and services from nearly 4,000 sources throughout our footprint. In 2020, more than 1.2 million hours were invested in Employee training and development. With a strong presence in several leisure and business markets throughout North America, we believe our core business activities stimulate indirect economic growth wherever we operate.

In 2020, more than 31,700 Southwest Employees and Contractors completed human rights training courses, totaling more than 61,000 training hours. Furthermore, 10,000 Employees learned how to identify Human Trafficking instances and were prepared to take action, if necessary, through this course. Also in 2020, we supported employment opportunities for veterans to repurpose donated leather (from Southwest aircraft) into art therapy kits and provided employment opportunities and skill development (utilizing donated leather from Southwest aircraft) to Human Trafficking survivors through our partnership with Rethreaded.¹⁰⁷

10 REDUCED INEQUALITIES


Target
10.2, 10.4

Reduce inequality within and among countries

In 2020, Southwest made several adjustments and improvements intended to help us advance our efforts to fight discrimination inside our Company and in our communities. We adopted new formal goals intended to advance the diversity of our Senior Leadership and created new training and resources to educate Employees and Leaders to help guide conversations about race, diversity, and inclusion.¹⁰⁸ Externally, we leveraged longstanding relationships with partner organizations who will help us listen, learn, and act—so that we can support the diverse communities we serve.¹⁰⁹

We continue our support of nonprofit and advocacy organizations that empower and promote inclusion for all, ensuring equal opportunity.

- Partners include: National LGBT Chamber of Commerce (NGLCC), Texas Women's Foundation, Equality California, Disability: IN, National Diversity Council, and Texas Diversity Council. We also donated \$500,000 to longtime partners, National Urban League and 100 Black Men, to support the social justice efforts, with a portion of the donation designated to local chapters across the country to support [leadership programs](#)

11 SUSTAINABLE CITIES AND COMMUNITIES


Target
11.1, 11.3,
11.5

Make cities and human settlements inclusive, safe, resilient, and sustainable

Southwest has a long history of giving back in the communities where we live and work. Historically, we have provided assistance in the wake of natural disasters like floods or severe weather events, and encouraged Employees to volunteer through our Tickets for Time program. In 2020, the pandemic provided us with new opportunities to serve people when they needed it most. Despite challenges to our business posed by COVID-19, Southwest provided more than \$3 million in support to help those affected by the pandemic.

During 2020, we actively prepared for unexpected disasters or events to restore and rebuild strong communities by:

- Supporting our key disaster partners through our annual giving program to support preparedness and response during times of crisis or disaster
- Engaging our Customers in a giving campaign to support American Red Cross, Team Rubicon, and Feeding America and their efforts at the frontlines of the pandemic, helping raise more than \$650,000
- Donating more than \$1 million in provisioning snacks and beverages to Feeding America food banks and community partners across the Southwest system to support COVID-19 relief efforts
- Contributing \$1 million in honor of Southwest's longstanding LUV Classic event to support children's charities focused on COVID-19 support programs and services
- Donating two charter flights to transport 330 volunteer firefighters from across the state of Texas to assist on the frontlines of the California wildfires

13 CLIMATE ACTION


Target 13.3

Take urgent action to combat climate change and its impacts

We seek to combat climate change by continually increasing our energy efficiency. We have voluntarily tracked and reported our greenhouse gas (GHG) emissions since 2009, and we have exceeded Airlines for America's (A4A) fuel efficiency improvement target of an annual average fuel efficiency improvement of 1.5% from 2009 (on an ASM¹¹⁰ per gallon basis).

We work toward our GHG emissions targets by modernizing our fleet, electrifying our ground support vehicles, and finding other innovative ways to increase efficiency.

Our Environmental commitment includes:

- Focusing on a goal of carbon neutrality for our Scope 1 and 2 emissions by 2050. To accomplish this, we're looking to incorporate more sustainable aviation fuel partners and introduce carbon offsetting into our operation
- Partnering with different organizations including Red Rock Biofuels and The U.S. Department of Energy's National Renewable Energy Laboratory (NREL) to support sustainable aviation fuel (SAF) development and production
- Returning the Boeing 737 MAX 8 to service, our most fuel efficient aircraft
- Expanding our Boeing order book through 2031, including 100 additional Boeing MAX 7 aircraft, which are expected to replace less fuel-efficient Boeing 737-700 aircraft¹¹¹
- Continuing the ongoing work of our Repurpose with Purpose program, which diverts materials and items intended for landfills while generating social and economic opportunities for communities
- Continuing our work with a variety of organizations, nonprofits, and government entities, including Airlines for America (A4A), whose work complements our efforts to improve our environmental commitment

Endnotes

For the 2020 One Report, APA guidance for endnote placement and construction was used to provide supplemental information.

1) The 2020 Southwest Airlines One Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Specific forward-looking statements include, without limitation, statements related to (i) the Company's environmental sustainability beliefs, plans, and expectations; (ii) the Company's plans, goals, objectives, and initiatives related to diversity, equity, and inclusion; (iii) the Company's plans and expectations with respect to Employee training, development, benefits (including post-retirement benefits), pay, and staffing (including with respect to avoiding furloughs or pay cuts); (iv) the Company's Vision; (v) the Company's network plans, expectations, and opportunities, including factors and assumptions underlying the Company's plans and expectations; (vi) the Company's initiatives and related goals with respect to global distribution system access and related alliances and capabilities; (vii) the Company's financial position, outlook, plans, strategies, goals, targets, and projected results of operations; (viii) the Company's fleet plans and expectations; and (ix) the Company's initiatives and expectations with respect to fuel efficiency and emissions. These statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) the extent of the COVID-19 pandemic, including the duration, spread, severity, and any recurrence of the COVID-19 pandemic, including through any new variant strains of the underlying virus; the effectiveness and availability of vaccines; the duration and scope of related government orders and restrictions; the duration and scope of the Company's actions to address Customer and Employee health concerns; the extent of the impact of the COVID-19 pandemic on overall demand for air travel and the Company's related business plans and decisions; and any negative impact of the COVID-19 pandemic on the Company's access to capital; (ii) the impact of fears or actual outbreaks of other diseases, economic conditions, fuel prices, extreme or severe weather and natural disasters, fears of terrorism or war, actions of competitors, consumer perception, and other factors beyond the Company's control, on consumer behavior and the Company's results of operations and business decisions, plans, strategies, and results; (iii) the impact of governmental actions and governmental regulations on the Company's plans, strategies, and operations; (iv) the

Company's dependence on Boeing with respect to the Company's fleet order book and delivery schedule; (v) the Company's dependence on other third parties for products and services, in particular with respect to global distribution systems and related alliances and capabilities, and the impact on the Company's operations and results of operations of any third party delays or non-performance; (vi) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (vii) the impact of labor matters on the Company's result of operations, business decisions, plans, and strategies; and (viii) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2020.

2) See Endnote 1.

3) [Corporate Governance Guidelines](#)

4) [Second amended and Restated Bylaws](#)

5) See Endnote 1.

6) See Endnote 1.

7) Emissions from refrigerant losses are not included in our emissions inventory due to their de minimis impact on our overall emissions. Reference: [Assurance Statement for 2020 Greenhouse Gas Inventory](#).

8) See Endnote 1.

9) Select Disaster Response Team Members began meeting and planning in January of 2020. The Disaster Response Pandemic Plan was activated in March of 2020.

10) See Endnote 1.

11) See Endnote 1.

12) See Endnote 1.

13) See Endnote 1.

14) Measuring 0.3 micrometers or greater in diameter passing through the filter.

15) <https://community.southwest.com/t5/Blog/Building-Resilience-and-Advancing-Black-Communities/ba-p/108216>

16) Active, full-time equivalent Employees as of Dec. 31 for specific calendar year. Included 10,421 Employees participating in the Extended Emergency Time Off program as of Dec. 31, 2020.

17) See Endnote 16.

18) Based on Employees' voluntary self-disclosure. 2020 is our first year reporting Employees by ethnicity and race.

19) Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services includes Provisioning, Customer Services, Ground Operations, and Network Operations Center.

20) Includes Southwest's contributions to Employee health and welfare plans, workers' compensation insurance, and employer payroll taxes. 2020 includes a one-time accrual for Employees participating in voluntary separation programs.

21) U.S. Department of Transportation. (2021, February) [Air Travel Consumer Report \(ATCR\)](#). A Product of the Office of Aviation Enforcement and Proceedings, Aviation Consumer Protection Division. Washington, D.C. The Department of Transportation (DOT) ranks all U.S. carriers based on the lowest ratio of complaints per 100,000 passengers enplaned, as published in the DOT Air Travel Consumer Report (ATCR). Southwest earned the best Customer Satisfaction ranking among U.S. Marketing Carriers with the lowest ratio of complaints to the DOT per 100,000 enplaned passengers for 2020. A Marketing Carrier is an airline that advertises under a common brand name, sells reservations, manages frequent flyer programs, and is ultimately responsible for the airline's consumer policies. Operating Carriers only handle the flight operations, passenger check-in/boarding, and baggage handling for the respective Marketing Carriers they serve—Operating Carriers are not responsible for DOT complaints related to policies, procedures, and advertising associated with the Marketing Carrier's brand.

22) Independent Sector (2020, July). Independent Sector Releases New Value of Volunteer Time of \$27.20 Per Hour. <https://independentsector.org/value-of-volunteer-time-2020/>

23) The Department of Transportation (DOT) ranks all U.S. carriers based on the lowest ratio of complaints per 100,000 passengers enplaned, as published in the DOT Air Travel Consumer Report (ATCR). Southwest earned the best Customer Satisfaction ranking among U.S. Marketing Carriers with the lowest ratio of complaints to the DOT per 100,000 enplaned passengers for 2020. A Marketing Carrier is an airline that advertises under a common brand name, sells reservations, manages frequent flyer programs, and is ultimately responsible for the airline's consumer policies. Operating Carriers only handle the flight operations, passenger check-in/boarding, and baggage handling for the respective Marketing Carriers they serve—Operating Carriers are not responsible for DOT complaints related to policies, procedures, and advertising associated with the Marketing Carrier's brand.

24) See Endnote 1.

25) The Department of Transportation (DOT) ranks all U.S. carriers based on the lowest ratio of complaints per 100,000 passengers enplaned, as published in the DOT Air Travel Consumer Report (ATCR). Southwest earned the best Customer Satisfaction ranking among U.S. Marketing Carriers with the lowest ratio of complaints to the DOT per 100,000 enplaned passengers for January and February 2020. A Marketing Carrier is an airline that advertises under a common brand name, sells reservations, manages frequent flyer programs, and is ultimately responsible for the airline's consumer policies. Operating Carriers only handle the flight operations, passenger check-in/boarding, and baggage handling for the respective Marketing Carriers they serve—Operating Carriers are not responsible for DOT complaints related to policies, procedures, and advertising associated with the Marketing Carrier's brand.

26) An available seat mile (ASM) is one seat (empty or full) flown one mile. Also referred to as "capacity," which is a measure of the space available to carry Passengers in a given period.

27) See Endnote 1.

28) See Endnote 1.

29) The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These GAAP financial statements may include (i) unrealized noncash adjustments and reclassifications, which can be significant, as a result of accounting requirements and elections made under accounting pronouncements relating to derivative instruments and hedging and (ii) other charges and benefits the Company believes are unusual and/or infrequent in nature and thus may make comparisons to its prior or future performance difficult.

As a result, the Company also provides financial information in this report that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides supplemental non-GAAP financial information (also referred to as "excluding special items"), including results that it refers to as "economic," which the Company's management utilizes to evaluate its ongoing financial performance, and the Company believes provides additional insight to investors as supplemental information to its GAAP results. The non-GAAP measures provided that relate to the Company's performance on an economic fuel cost basis include net income (loss), non-GAAP; net income (loss) per share, diluted, non-GAAP; and operating expenses per ASM, non-GAAP, excluding fuel and oil expense and ProfitSharing (cents).

The Company's economic fuel and oil expense results differ from GAAP results in that they only include the actual cash settlements from fuel hedge contracts—all reflected within fuel and oil expense in the period of settlement. Thus, fuel and oil expense on an economic basis has historically been utilized by the Company, as well as some of the other airlines that utilize fuel hedging, as it reflects the Company's actual net cash outlays for fuel during the applicable period, inclusive of settled fuel derivative contracts. Any net premium costs paid related to option contracts that are designated as hedges are reflected as a component of fuel and oil expense, for both GAAP and non-GAAP (including economic) purposes in the period of contract settlement. The Company believes these economic results provide further insight into the impact of the Company's fuel hedges on its operating performance and liquidity since they exclude the unrealized, noncash adjustments and reclassifications that are recorded in GAAP results in accordance with accounting guidance relating to derivative instruments, and they reflect all cash settlements related to fuel derivative contracts within fuel and oil expense. This enables the Company's management, as well as investors and analysts, to consistently assess the Company's operating performance on a year-over-year or quarter-over-quarter basis after considering all efforts in place to manage fuel expense. However, because these measures are not determined in accordance with GAAP, such measures are susceptible to varying calculations, and not all companies calculate the measures in the same manner. As a result, the aforementioned measures, as presented, may not be directly comparable to similarly titled measures presented by other companies.

Further information on (i) the Company's fuel hedging program, (ii) the requirements of accounting for derivative instruments, and (iii) the causes of hedge ineffectiveness and/or mark-to-market gains or losses from derivative instruments is included in Note 11 to the Consolidated Financial Statements on Form 10-K for the fiscal year ended Dec. 31, 2020.

The Company's GAAP results in the applicable periods may include other charges or benefits that are also deemed "special items," that the Company believes make its results difficult to compare to prior periods, anticipated future periods, or industry trends. Financial measures identified as non-GAAP (or as excluding special items) have been adjusted to exclude special items. For the periods presented, in addition to the items discussed above, special items include:

- Proceeds related to the Payroll Support Program under the CARES Act, which were used to pay Employee salaries, wages, and benefits;

- Accrued charges related to the special termination benefits upon Employees accepting Voluntary Separation Program 2020 or Extended ETO as of Dec. 31, 2020;
- Gains associated with the sale-leaseback of 10 Boeing 737-800 aircraft and 10 Boeing 737 MAX 8 aircraft to third parties;
- A noncash impairment charge related to 20 Boeing 737-700 aircraft that were retired during 2020;
- Unrealized losses related to 12 forward-starting interest rate swap agreements. During 2020, the interest rate swap agreements, which were related to 12 737 MAX 8 aircraft leases (with deliveries originally scheduled between June 2020 and September 2020), were de-designated as hedges due to the scheduled delivery range no longer being probable, resulting in the mark-to-market changes being recorded to earnings; and
- A post-retirement curtailment charge related to Employees who accepted Voluntary Separation Program 2020 and elected to participate in the Company's Retiree medical benefits plan.

Because management believes special items can distort the trends associated with the Company's ongoing performance as an airline, the Company believes that evaluation of its financial performance can be enhanced by a supplemental presentation of results that exclude the impact of special items, in order to enhance consistency and comparativeness with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. The following measure is often provided, excluding special items, and utilized by the Company's management, analysts, and investors to enhance comparability of year-over-year results, as well as to industry trends: net income (loss), non-GAAP.

Information regarding special items and reconciliation of reported amounts to amounts excluding special items are included in the accompanying reconciliation table in the Performance section.

30) See Endnote 16.

31) Includes 32 Boeing MAX 737 aircraft in long-term storage as of Dec. 31, 2020. Includes 60 Boeing 737 Next Generation aircraft removed from active fleet and remaining in long-term storage as of Dec. 31, 2020.

32) Includes seasonal destinations, as well as seven international stations that still had suspended service as of Dec. 31, 2020, due to the COVID-19 pandemic (BZE, GCM, LIR, NAS, PLS, SJO, and CZM). Service to CZM resumed on March 11, 2021.

33) See Endnote [1](#).

34) A revenue passenger mile (RPM) is one paying Passenger flown one mile. Also referred to as "traffic," which is a measure of demand for a given period.

35) See Endnote [26](#).

36) Passenger load factor is RPMs³⁴ divided by ASMs²⁶.

37) The average distance in miles the aircraft is flown per trip.

38) The average amount of Passenger revenue per revenue Passenger carried.

39) Calculated as Passenger revenue divided by RPMs³⁴. Also referred to as "yield," this is the average cost paid by a paying Passenger to fly one mile, which is a measure of revenue production and fares.

40) Calculated as operating revenues divided by ASMs²⁶. Also referred to as "operating unit revenues" or "RASM," this is a measure of operating revenue production based on the total available seat miles flown during a particular period.

41) Calculated as operating expenses divided by ASMs²⁶. Also referred to as "unit costs" or "costs per available seat mile," this is the average cost to fly an aircraft seat (empty or full) one mile, which is a measure of cost efficiencies.

42) See Endnote [16](#).

43) See Endnote [31](#).

44) Based on data from the Department of Transportation's (DOT) O&D (Origin and Destination) Survey for the 12 months ending Sept. 30, 2020, based on domestic originating passengers. This data can be accessed via Diio Mi at mi.diio.net.

45) Metro areas are areas around cities that may include multiple airports. In some cases, the airports within a metro area may serve separate competitive markets.

46) See Endnote [44](#).

47) Co-terminal: Airports that share a common city or region; for example, Newark, LaGuardia, and JFK are considered co-terminals to one another serving the New York City area.

48) See Endnote [44](#).

49) See Endnote [1](#).

50) See Endnote [31](#).

51) See Endnote [31](#).

52) The 737 MAX 8 is approximately 14 percent more fuel-efficient than the 737-800. The MAX 7 is expected to produce comparable fuel efficiency improvement compared with the 737-700.

53) See Endnote [34](#).

54) See Endnote [26](#).

55) See Endnote [36](#).

56) See Endnote [39](#).

57) See Endnote [40](#).

58) See Endnote [41](#).

59) See Endnote [31](#).

60) See Endnote [16](#).

61) See Endnote [29](#).

62) Tax amounts for each individual special item are calculated at the Company's effective rate for the applicable period and totaled in this line item. The Non-GAAP tax rate considers the appropriate tax treatment for special items and also reflects the anticipated benefit of carrying back full-year 2020 net losses to claim tax refunds against previous cash taxes paid relating to tax years 2015 through 2019, some of which were at higher rates than the current year. The impact to Net loss may not be equivalent to the special item multiplied by the effective tax rate, in all cases.

63) Adjustment related to GAAP and Non-GAAP tax rate differences, primarily due to the Payroll Support Program proceeds being excluded as a special item.

64) See Endnote [1](#).

65) See Endnote [1](#).

66) See Endnote [1](#).

67) See Endnote [1](#).

68) See Endnote [26](#).

69) A revenue ton mile (RTM) is one ton of revenue traffic (Passenger and cargo) transported one mile. RTM calculation methodology has been updated to align with the methodology suggested by the International Civil Aviation Organization (ICAO). RTMs for 2016 through 2019 have been restated to reflect the updated methodology.

70) See Endnote [36](#).

71) See Endnote [1](#).

72) See Endnote [26](#).

73) See Endnote [36](#).

74) See Endnote [34](#).

75) See Endnote [69](#).

76) See Endnote [1](#).

77) Scope 2 emissions are reported as location-based emissions per GHG Protocol Corporate Standard.

78) See Endnote [34](#).

79) See Endnote [69](#).

80) See Endnote [26](#).

81) See Endnote [69](#).

82) See Endnote [69](#).

83) Water consumption is primarily for domestic use at our facilities.

84) See Endnote [16](#).

85) See Endnote [7](#).

86) See Endnote [77](#).

87) See Endnote [34](#).

88) See Endnote [26](#).

89) See Endnote [69](#).

90) In prior years, we have disclosed Scope 3 emissions related to Capital Goods—Aircraft Production but have chosen to remove the disclosure, as we have determined that our calculation does not capture emissions for the full value chain of the aircraft production thus understating the metric. We do not currently have access to the remaining value chain components to accurately state the metric.

91) NO_x and SO_x emissions are reported in our annual emissions inventories for our DAL and PHX facilities. Data is from prior year due to air emissions reporting cycle.

92) See Endnote [26](#).

93) See Endnote [34](#).

94) See Endnote [69](#).

95) Waste and material recycled from aircraft and select facilities as part of Southwest's waste management and co-mingled recycling programs. Data is not available for all locations where Southwest operates. Does not include international flights due to regulations that require waste from international flights to be sterilized.

96) See Endnote [36](#).

97) See Endnote [91](#).

98) See Endnote [26](#).

99) See Endnote [36](#).

100) See Endnote [34](#).

101) See Endnote [69](#).

102) See Endnote [1](#).

103) See Endnote [1](#).

104) National Trafficking Hotline. <https://humantraffickinghotline.org/>

105) <https://polarisproject.org>

106) See Endnote [16](#).

107) Rethreaded is a registered 501(c)3 non-profit organization. Donations are tax-deductible to the extent allowed by law. <https://www.rethreaded.com/>

108) See Endnote [1](#).

109) <https://community.southwest.com/t5/Blog/Building-Resilience-and-Advancing-Black-Communities/ba-p/108216>

110) See Endnote [26](#).

111) See Endnote [1](#).

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